SWIDLER & BERLIN

CHARTERED

May 22, 1996

VIA OVERNIGHT DELIVERY

Walter D'Haeseleer
Director, Division of Communications
Florida Public Service Commission
2540 Shumard Oak, Blvd.
Tallahassee, Florida 32399-0870

Re: Application of Dial & Save of Florida, Inc. for Authority to Provide Local Exchange Service in Florida

Dear Mr. D'Haeseleer:

Enclosed for filing on behalf of Dial & Save of Florida, Inc. ("Dial & Save") please find an original and six (6) copies of Dial & Save's above-referenced application. Also enclosed is a check in the amount of $250.00 to cover the filing fee for the above-referenced application.

Please date-stamp the extra copy and return it to the undersigned in the enclosed self-addressed, stamped envelope.

Should you have any questions concerning this filing, please do not hesitate to contact the undersigned.

Very truly yours,

Katherine A. Rolph

Katherine A. Rolph

Enclosures

cc: Natalie Marine-Street

to RAR with proof of deposit

Initials of person who forwarded check

DOCUMENT NUMBER-DATE

05683 MAY 23 96

3000 K Street, N.W. ■ Suite 300
Washington, D.C. 20007-5116
(202)424-7500 ■ Telex 701131 ■ Facsimile (202)424-7645

FLORIDA PUBLIC SERVICE COMMISSION
CAPITAL CIRCLE OFFICE CENTER - 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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. If you have questions about completing the form, contact:

Florida Public Service Commission
Division of Communications, Certification & Compliance Section
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0866
(904) 413-6600

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.

FORM PSC/CMU 8 (07/95)
Required by Chapter 364.337 F.S.

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 of assignment of existing certificate** (to a non-certificated company)
Example, a non-certificated company purchases an existing company and desires to retain the certificate of authority rather than apply for a new certificate.

( ) **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:

Dial & Save of Florida, Inc.; Dial & Save of Florida, Alpha, Inc.; Dial & Save of Florida, Beta, Inc.; Dial & Save of Florida, Gamma, Inc.; and Dial & Save of Florida, Delta, Inc. (collectively, "Dial & Save"). Dial & Save is a wholly owned subsidiary of Telco Communications Group, Inc. ("Telco").

3. A. National mailing address including street name, number, post office box, city, state, zip code, and phone number.

4219 Lafayette Center Drive
Chantilly, Virginia 22021 1209
(703) 631-5600

B. Florida mailing address including street name, number, post office box, city, state, zip code, and phone number.

Dial & Save does not currently have a mailing address in Florida.

C. Physical address of alternative local exchange service in Florida including street name, number, post office box, city, zip code and phone number.

Dial & Save does not currently have an office in Florida. Dial & Save's registered agent in Florida is: Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware.

4. Structure of organization:

( ) Individual
( ) Foreign corporation
( ) General Partnership
( ) Joint Venture
(**X**) Corporation
( ) Foreign Partnership
( ) Limited Partnership
( ) 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(s): **F94000002263;F95000001514; F95000001515; F95000001518; F95000001519**.

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

7. If applicable, please provide proof of fictitious name (d/b/a) registration.
Fictitious name registration number: **G94157900024**.

8. If applicant is an individual, partnership, or joint venture, please give name, title 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.

None of Dial & Save's officers, directors, nor any of its ten largest stockholders, have previously been adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime; nor are any such proceedings pending.

10. Please provide the name, title, address, telephone number, Internet address, and facsimile number for the person serving as ongoing liaison with the Commission, and if different, the liaison responsible for this application.

<u>Ongoing liaison</u>: Natalie Marine-Street, Dial & Save of Florida, Inc., 4219 Lafayette Center Drive, Chantilly, Virginia 22021-1209; 703-631-5600

<u>Liaison for Application</u>: Katherine A. Rolph, Esq. Swidler & Berlin, Chartered, 3000 K Street, Suite 300, Washington, D.C. 20007-5116 Tel: (202) 424-7788; Fax: (202) 424-7643

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

Dial & Save affiliates have applied to provide resold interexchange service in all of the states, except Alaska and Hawaii. Of these applications 47 have been granted and Vermont is still pending.

12. Has the applicant been denied certification in any other state? If so, please list the state and reason for denial.

No.

13. Have penalties been imposed against the applicant in any other state? If so, please list the state and reason for penalty.

No.

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

Dial & Save can be reached for customer complaints at 1 (800) 787-3333.

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

A. Financial capability. **See Exhibit 1.**

Regarding the showing of financial capability, the following applies:

The application should contain the applicant's financial statements, including:

1. the balance sheet

2. income statement

3. statement of retained earnings for the most recent 3 years.

If available, the financial statements should be audited financial statements.

If the applicant does not have audited financial statements, it shall be so stated. The unaudited financial statements should then be signed by the applicant's chief executive officer and chief financial officer. The signatures should affirm that the financial statements are true and correct.

B. Managerial capability. **See Exhibit 2.**

C. Technical capability. **See Exhibit 3.**

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, punishable as provided in s. 775.082 and s. 775.083".

Official: [signature] 5/20/96
Signature Date

Title: President (703) 631-5600
Telephone Number

Address: 4219 Lafayette Center Dr
Chantilly, VA 22021

EXHIBITS

EXHIBIT 1	Audited Financial Statements for Dial & Save's Parent, Telco Communications Group, Inc.
EXHIBIT 2	Managerial Capability
EXHIBIT 3	Technical Capability

EXHIBIT 1

Audited Financial Statements for Dial & Save's Parent,
Telco Communications Group, Inc.

Deloitte &
Touche LLP

**TELCO COMMUNICATIONS GROUP, INC.
AND SUBSIDIARIES**

**Consolidated Financial Statements for
the Nine Months Ended September 30, 1995
and the Year Ended December 31, 1994
and Independent Auditors' Report**

Deloitte Touche
Tohmatsu
International

TELCO COMMUNICATIONS GROUP, INC. AND SUBSIDIARIES

Consolidated Financial Statements for the Nine Months Ended September 30, 1995 and the Year Ended December 31, 1994 and Independent Auditors' Report

TELCO COMMUNICATIONS GROUP, INC.
AND SUBSIDIARIES

TABLE OF CONTENTS

Deloitte &
Touche LLP

Suite 500
Eighth & Main Building
707 East Main Street
Richmond, Virginia 23219

Telephone (804) 697-1500
Facsimile (804) 697-1825

INDEPENDENT AUDITORS' REPORT

Telco Communications Group, Inc.
Chantilly, Virginia

We have audited the accompanying consolidated balance sheet of Telco Communications Group, Inc. and subsidiaries as of September 30, 1995 and December 31, 1994, and the related consolidated statements of income and retained earnings and of cash flows for the nine months ended September 30, 1995 and the year ended December 31, 1994. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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, such consolidated financial statements present fairly, in all material respects, the financial position of Telco Communications Group, Inc. and subsidiaries at September 30, 1995 and December 31, 1994, and the results of their operations and their cash flows for the nine months ended September 30, 1995 and the year ended December 31, 1994, in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

January 24, 1996

TELCO COMMUNICATIONS GROUP, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 1995 AND DECEMBER 31, 1994

ASSETS	September 30, 1995	December 31, 1994
CURRENT ASSETS:		
Cash	$ 350,936	$ 474,512
Accounts receivable, trade (net of allowances of $2,764,630 at September 30, 1995 and $1,078,442 at December 31, 1994	48,469,767	24,489,656
Accounts receivable, other	83,384	496,810
Deposits	113,879	269,921
Other	1,019,972	1,553,504
Total current assets	50,037,938	27,284,403
PROPERTY, PLANT AND EQUIPMENT:		
Leasehold improvements	707,002	278,837
Network equipment	2,402,364	496,263
Office furniture	1,752,369	582,601
Network equipment under capital lease	15,871,985	3,134,099
Network facilities under development	6,178,854	1,913,074
Accumulated depreciation	(2,208,930)	(530,900)
Total property, plant and equipment, net	24,703,644	5,873,974
OTHER ASSETS:		
Deferred income tax asset	183,218	-
Goodwill, net	261,966	311,612
Other	367,111	63,177
Total other assets	812,295	374,789
TOTAL ASSETS	$ 75,553,877	$ 33,533,166

The accompanying notes are an integral part of the consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	September 30, 1995	December 31, 1994
CURRENT LIABILITIES:		
Notes payable, short term	$ 523,727	$ 213,233
Capital lease obligation, current portion	2,325,786	685,844
Excise taxes payable	1,107,858	478,589
Accounts payable	12,970,848	2,699,980
Accrued network access and transmission expense	8,918,653	6,987,371
Other accrued expenses	176,155	1,592,647
Income taxes payable	766,603	741,163
Total current liabilities	26,789,630	13,398,827
LONG-TERM LIABILITIES:		
Long-term debt	24,689,044	15,367,424
Capital lease obligation, noncurrent	10,016,749	2,617,364
Deferred income taxes	715,995	357,492
Total long-term liabilities	35,421,788	18,342,280
MINORITY INTEREST	815,431	137,155
STOCKHOLDERS' EQUITY:		
Common stock ($.001 par, 100,000 shares authorized, 49,092 shares outstanding)	49	49
Additional paid-in capital	896,031	896,031
Retained earnings	11,630,948	758,824
Total stockholders' equity	12,527,028	1,654,904
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 75,553,877	$ 33,533,166

TELCO COMMUNICATIONS GROUP, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
NINE MONTHS ENDED SEPTEMBER 30, 1995 AND YEAR ENDED DECEMBER 31, 1994

	September 30, 1995	December 31, 1994
REVENUE:		
Long distance revenue	$ 147,030,337	$ 44,706,867
OPERATING EXPENSES:		
Network access and transmission	83,372,301	25,984,670
Facility operations and maintenance	6,872,698	1,890,366
Depreciation and amortization	1,854,108	495,883
Customer operations and marketing	29,116,578	9,466,696
General and administrative	4,694,883	2,412,189
Total operating expenses	125,910,568	40,249,804
OPERATING INCOME	21,119,769	4,457,063
INTEREST EXPENSE	1,916,853	896,871
OTHER EXPENSE (INCOME)	11,496	(14,613)
INCOME TAXES:		
Current	7,228,296	1,074,837
Deferred	412,724	356,789
Total income taxes	7,641,020	1,431,626
MINORITY INTEREST	678,276	137,155
NET INCOME	10,872,124	2,006,024
RETAINED EARNINGS, (DEFICIT), BEGINNING	758,824	(1,247,200)
RETAINED EARNINGS, ENDING	$ 11,630,948	$ 758,824

The accompanying notes are an integral part of the consolidated financial statements.

**TELCO COMMUNICATIONS GROUP, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 1995 AND YEAR ENDED DECEMBER 31, 1994

	September 30, 1995	December 31, 1994
CASH FLOWS FROM (USED FOR) OPERATIONS:		
Net income	$ 10,872,124	$ 2,006,024
Adjustments to reconcile net income to net cash from (used for) operating activities:		
Depreciation expense	1,727,676	495,883
Minority interest	678,276	137,155
Deferred income taxes	175,285	356,789
Changes in current assets and liabilities:		
(Increase) Decrease in:		
Trade accounts receivable	(23,980,111)	(23,622,274)
Other receivables	413,426	(492,779)
Deposits	156,042	(31,724)
Prepaid expenses and other current assets	554,571	(1,492,078)
Inventory	(21,039)	(30,189)
Other assets	(303,924)	(63,177)
Increase in:		
Accounts payable	10,270,868	1,299,850
Accrued expenses	1,144,059	8,795,562
Income taxes payable	25,440	741,163
Net cash from (used for) operating activities	1,712,693	(11,899,795)
CASH FLOWS (USED FOR) INVESTING ACTIVITIES:		
Equipment purchases	(10,462,814)	(1,300,879)
Investments, net of cash acquired	-	(7,758)
Net cash used for investing activities	(10,462,814)	(1,308,637)
CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:		
Proceeds from line of credit	24,689,044	29,126,823
Payments on line of credit	(15,367,424)	(13,759,399)
Payments on capital leases	(1,005,469)	(1,266,413)
Proceeds from (Payments on) short term debt	310,394	(583,000)
Proceeds from contributed capital	-	25,000
Net cash from financing activities	8,626,545	13,543,011
INCREASE (DECREASE) IN CASH	(123,576)	334,579
CASH, BEGINNING OF THE PERIOD	474,512	139,933
CASH, END OF THE PERIOD	$ 350,936	$ $474,512

The accompanying notes are an integral part of the consolidated financial statements.

TELCO COMMUNICATIONS GROUP, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 1995 AND YEAR ENDED DECEMBER 31, 1994

1. NATURE OF THE BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of the Business - The Company is a facilities-based long distance telephone company headquartered in Chantilly, Virginia. The Company principally provides service to residential customers in twenty-five states.

Significant Accounting Policies:

a. *Basis of Consolidation* - The consolidated financial statements include the accounts of Telco Communications Group, Inc.(TCGI) and its wholly-owned Dial & Save subsidiaries as well as TCGI's 80% interest in Telco Development Group of Delaware, Inc. and a 55.55 % interest in Long Distance Wholesale Club. All intercompany transactions and accounts have been eliminated in consolidation (see Note 6).

b. *Revenue Recognition* - Revenue is recorded when service is rendered, which is measured when a long distance call is completed.

c. *Sales, Advertising and Related Marketing Expenses* - Costs incurred in connection with Company sales, advertising and marketing activities are recognized in the period that they are incurred. Costs incurred in advance of utilization in sales, advertising or marketing activity are recognized as prepaid assets until such activity occurs. The Company has recorded prepaid advertising and marketing costs of $579,778 and $1,055,414 at September 30, 1995 and December 31, 1994, respectively. These expenditures were utilized in promotional activities in subsequent periods and were expensed in the periods in which the activities occurred.

d. *Cash* - For the purposes of reporting cash flows, the Company considers all cash accounts which are not subject to withdrawal restrictions or penalties and which have maturities of less than three months to be cash equivalents.

The carrying amount of cash is a reasonable estimate of its fair value.

e. *Accounts Receivable* - Accounts receivable principally consists of amounts due from customers. The Company contracts with Local Exchange Carriers (LECs), or an authorized clearinghouse, to bill and collect from its customers. Accounts receivable are recognized net of collection costs and an uncollectible allowance.

f. *Property and Depreciation* - Property, plant and equipment is recorded at cost. Depreciation is computed using the straight-line method based on an estimated useful life of five years. Expenditures for maintenance and repairs are charged to expense as incurred whereas expenditures for additions and replacements are capitalized. The cost and related accumulated depreciation of assets sold or otherwise disposed of during the period are removed from the accounts. Any gain or loss is reflected in the year of disposal. Network facilities under development includes amounts for equipment received but not operational at September 30, 1995 and December 31, 1994.

g. *Income Taxes* - Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due and deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. Such differences relate primarily to depreciable assets and accounts receivable. The Company revoked its S-Chapter election in 1994.

h. *Loan Fees* - Loan fees are amortized over the life of the loan.

i. *Goodwill* - Goodwill is amortized on a straight-line method over a period of five years beginning on the related acquisition dates. Accumulated amortization is $68,985 and $19,342 at September 30, 1995 and December 31, 1994, respectively.

j. *Excise Taxes Payable* - Excise taxes payable represent sales and excise tax amounts collected which are subsequently remitted to taxing authorities.

k. *Reclassification* - Certain amounts in the 1994 consolidated financial statements have been reclassified to conform to 1995 presentation.

2. RELATED PARTY TRANSACTIONS

The Company has entered into various transactions with several entities which are or have been controlled by the Company's Chairman of the Board, who is also a shareholder with a direct ownership interest of 33%. These other entities include Tel Labs Inc., Telco Development Group, Inc., Bricks In The Sticks, Ltd., Telco Development Group of Delaware, and Dial & Save of Pennsylvania.

The Company leases office and switch site facilities from Bricks In The Sticks, Ltd. The Company paid total rents of $162,862 and $63,500 for these facilities, for the nine month period ended September 30, 1995 and the year ended December 31, 1994, respectively.

Total annual future minimum operating lease payments due to the related party for the above lease are as follows for the twelve month periods ending September 30:

1996	$ 203,764
1997	213,047
1998	225,576
1999	205,597
2000	20,395

The Company purchases call translation and rating data processing services on a month-to-month basis from Tel Labs, Inc. The Company paid $637,446 and $157,400 for these services for the nine month period ended September 30, 1995 and year ended December 31, 1994, respectively.

The Company purchases computer equipment and support on a month-to-month basis from Telco Development Group, Inc. The Company paid $631,118 and $229,100 for these services for the nine month period ended September 30, 1995 and year ended December 31, 1994, respectively.

The total amount included in accounts payable due to related parties is $214,310 and $57,518 as of September 30, 1995 and December 31, 1994, respectively.

On August 1, 1994, the Company purchased 100% of the outstanding shares of Dial & Save of Pennsylvania from the Company's Chairman for $31,479 in cash. The Consolidated Statement of Income for the year ended December 31, 1994 includes the operations of Dial & Save of Pennsylvania from August 1, 1994.

Prior to July 28, 1994, the Company's Chairman owned a 50% interest in the common stock of Long Distance Wholesale Club (LDWC). The Company purchased the Chairman's 50% interest and an additional 5% of the common stock of LDWC (see Note 6). The Company paid approximately $85,000 for the Chairman's interest in LDWC.

The Company was organized during 1993 through the investment of: 1) its Chairman, 2) its President, and 3) a non-management shareholder. At the Company's inception, the non-management shareholder purchased a minority interest in the Company's common stock for $250,000. On July 20, 1994, the Company purchased, into treasury, 100% of the non-management shareholder's original minority interest in the common stock of the Company for $25,000. On July 25, 1994, the Company sold a similar minority interest in its common stock to a foreign corporation in exchange for $50,000 (see Note 9).

The former non-management shareholder is a director and member of the management of Esprit Telecom Ltd. (Esprit), a provider of international long distance services. Esprit and Telco purchase transmission services from one another. The Company paid Esprit $1,451,684 for transmission services during the year ended December 31, 1994. No amounts were due Esprit as of December 31, 1994.

3. LONG-TERM AND OTHER DEBT

The long-term debt of TCGI consists of a $25,000,000 line of credit from Signet Bank due January 1996 with an interest rate of prime plus 2%. The weighted average interest rate for 1995 and 1994 was 10.86% and 9.94%, respectively. The bank has a first security interest on all accounts receivable, equipment, furniture and fixtures, and the common stock of subsidiaries is pledged as additional security. The credit agreement cites minimum operating ratios, and prohibits creation of debt, merger, sale of assets, loans or advances, guarantees, and payment of dividends without consent of the lender. The credit agreement also includes a warrant agreement between TCGI and Signet Media Capital Group, which entitles Signet Media Capital Group to 1,174 warrants. No warrants have been exercised as of September 30, 1995.

The credit agreement is guaranteed by two executive officers of the Company. Under the terms of the agreement, the officers guarantee the term note, consisting solely of loan points, and any borrowing in excess of 80% of receivables. At September 30, 1995 and December 31, 1994, there were no amounts outstanding personally guaranteed by the officers.

At September 30, 1995 the Company was in the process of renegotiating the loan agreement. Interim financing of an additional $10,000,000 was available to the Company under the terms of the current loan agreement. Subsequent to September 30, 1995, permanent financing was obtained in the amount of $45,000,000. The new financing agreement has a maturity date of January 24, 1998 and carries an adjustable interest rate based on the LIBOR and prime rates. As a result of the new financing, $24,689,044 has been classified to long term debt at September 30, 1995. Under the new credit agreement there are no personal guarantees.

Short-term notes payable consist of deposits to a leasing agent. The terms for the leases require a 10% payment at inception and a 10% payment to be made in equal installments over a period of five months.

4. OBLIGATIONS UNDER CAPITAL AND OPERATING LEASES

The Company leases certain equipment under capital leases. Accordingly, the Company has capitalized such equipment in the amount of $ 18,796,985 and $4,819,099 less accumulated depreciation of $1,680,249 and $412,372 as of September 30, 1995 and December 31, 1994, respectively. Total equipment under capital leases includes $2,925,000 and $1,685,000 classified as Network facilities under development, as of September 30, 1995 and December 31, 1994, respectively.

The following represents the future minimum payments required under such leases for the next five years.

1996	$ 2,309,603
1997	2,588,509
1998	2,789,807
1999	2,899,412
2000	1,753,016

In addition to operating leasing activities discussed in Note 2, the Company leases space in Ft. Lauderdale, Florida; Austin, Texas; Washington, D.C.; Davenport, Iowa; and Arlington, Virginia. The total minimum rental commitment as of September 30, 1995 due in future years is as follows:

Years Ending September 30	
1996	$ 538,163
1997	548,698
1998	516,211
1999	413,576
2000	214,921

Total rent expense under these leases was $316,305 and $68,809 for the nine-month period ended September 30, 1995 and year ended December 31, 1994, respectively.

5. INCOME TAXES

The components of the provision for income taxes are as follows for the nine-month period ended September 30, 1995 and year ended December 31, 1994:

	1995	1994
Current:		
Federal	$ 5,737,883	$ 822,612
State	1,490,413	252,225
Total Current	$ 7,228,296	$ 1,074,837
Deferred:		
Federal	$ 332,810	$ 320,589
State	79,914	36,200
Total Deferred	$ 412,724	$ 356,789

6. BUSINESS COMBINATIONS

On July 28, 1994, the Company acquired 55% of the outstanding stock of Long Distance Wholesale Club (see Note 2). The Company paid $134,834 in cash for the shares. The acquisition has been accounted for as a purchase transaction and, accordingly, the cash paid has been allocated to assets and liabilities based on the estimated fair value as of the acquisition date. The Consolidated Statement of Income for the year ended December 31, 1994 includes the operating results of Long Distance Wholesale Club from August 1, 1994.

See also Note 2 regarding Dial & Save of Pennsylvania.

7. INCENTIVE STOCK OPTIONS

On July 1, 1994, the Company adopted a Stock Plan (the Plan) which provides for the granting of one or any combination of incentive stock options, nonqualified stock options, restricted stock awards and bargain purchases of Company stock. All Company employees are eligible to participate in the Plan. 10,000 shares of common stock are authorized for issuance by the Plan. No options were exercised or canceled during the nine-months ended September 30, 1995 or the year ended December 31, 1994. At September 30, 1995, 3,583 shares are exercisable. The following options are currently outstanding:

Year of Grant	Number of Shares	Option Price
1994	3,843.5	$131 - $784
1995	500	$1,374

In addition, LDWC has granted options to certain employees. At September 30, 1995, none of these options are exercisable. The following options are currently outstanding:

Year of Grant	Number of Shares	Option Price
1995	3.22	$33,955 - $128,294

8. SUPPLEMENTAL CASH FLOW INFORMATION

The following represents supplemental cash flow information for the nine-months ended September 30, 1995 and the year ended December 31, 1994:

	September 30, 1995	December 31, 1994
Cash paid for:		
Interest	$ 1,916,853	$ 656,958
Income taxes	$ 7,206,720	$ 336,598
Non-cash investing and financing activities:		
Conversion of short term debt to equity	$ 250,000	$ -
Capital leases	$ 10,044,800	$ 2,821,353
Fair value of assets acquired	$ -	$ 1,025,533
Cash paid for common stock	-	170,360
Liabilities assumed	$ -	$ 855,173

9. CAPITAL STOCK

On June 1, 1994, the Company declared a ten-for one stock split and changed the par value of its stock from $.01 per share to $.001 per share. On July 20, 1994, the Company purchased 13,633 shares of its stock and subsequently sold 15,225 shares on July 25, 1994 (see Note 2).

10. DEBT CONVERSION

In June 1995, the Company exercised its option to convert a $250,000 short term note receivable from its majority-owned subsidiary Long Distance Wholesale Club to equity in that entity. 3,046 shares of Long Distance Wholesale Club common stock were issued in the transaction, resulting in an increase in the Company's ownership interest from 55% to 55.55%.

11. EMPLOYEE BENEFIT PLANS

The Company's majority-owned subsidiary Long Distance Wholesale Club implemented a 401(k) pension plan during the period ended September 30, 1995 for all eligible employees. Employees are eligible to participate in the plan if they have been employed by Long Distance Wholesale Club for one year and work at least 20 hours per week. Generally, employees can defer up to 15% of their gross bi-weekly salary into the plan. The Company's contribution is to be determined annually by the Board of Directors. The Company made no contribution for the period ended September 30, 1995.

12. DEFERRED COMPENSATION PLAN

The Company though its majority-owned subsidiary Long Distance Wholesale Club provides a deferred compensation plan for one of its officers. The plan provides for annual elections to be made by the officer of deferral amounts, such deferral to be made only from compensation amounts earned and otherwise payable. The plan requires funding of the deferred compensation amount equal to the officer's deferral plus interest at an annual rate to be determined by the board of directors from time to time. As of September 30, 1995, $247,652 has been accrued under the plan, $164,119 of which has been funded to date.

* * * * * *

TELCO COMMUNICATIONS GROUP, INC.

FINANCIAL REPORT

December 31, 1993

CONTENTS

CHASE AND
ASSOCIATES CPAs, PC
ACCOUNTANTS AND
MANAGEMENT ADVISORS

Members:
American Institute of CPAs
Virginia Society of CPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Telco Communications Group, Inc.
Chantilly, Virginia

We have audited the accompanying balance sheet of Telco Communications Group, Inc. as of December 31, 1993, and the related statements of income, changes in stockholders' deficit, and cash flows from inception to December 31, 1993, and supplementary information. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 Telco Communications Group, Inc. as of December 31, 1993, and the results of operations and its cash flows from inception to December 31, 1993 in conformity with generally accepted accounting principles.

Manassas, Virginia
March 25, 1994

Chase and Associates CPAs, PC

9293 Corporate Circle • Manassas, Virginia 22110 • 703/361-7114 • METRO: 631-2244 • FAX 361-8225
1401½ King Street • Alexandria, Virginia 22314 • 703/684-1258 • 703/631-2244 • FAX 684-1556

Telco Communications Group, Inc.

BALANCE SHEET
December 31, 1993

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 139,933
Trade receivables	441,706
Other receivables	4,031
Deposits	236,612
Prepaid expenses	30,853
Total current assets	853,135
PROPERTY AND EQUIPMENT	
Leasehold improvements	68,000
Machinery and equipment	159,846
Office furniture and equipment	24,270
Equipment acquired under capital leases	1,000,000
Less accumulated depreciation	(54,358)
	1,197,758
	$ 2,050,893

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES	
Shareholder notes payable (Note 2)	$ 72,233
Short-term notes payable (Note 3)	724,000
Current obligations under capital leases (Note 5)	148,463
Accounts payable	829,662
Accrued expenses	38,069
Total current liabilities	1,812,427
OBLIGATIONS UNDER CAPITAL LEASES, less current portion, (Note 5)	614,586
COMMITMENTS AND CONTINGENCIES (Note 4)	-
STOCKHOLDERS' DEFICIT	
Common stock, par value $.01 per share, authorized 5,000 shares; issued 4747 shares	47
Paid in capital	871,033
Retained earnings <deficit>	(1,247,200)
	(376,120)
	$ 2,050,893

See Notes to Financial Statements

Telco Communications Group, Inc.

STATEMENT OF INCOME
From Inception to December 31, 1993

Net sales	$ 1,135,490
Cost of sales	993,741
Gross Profit	141,749
Billing, General and Administrative Expenses:	
Billing services	100,762
General and administrative	1,263,033
	1,363,795
Operating income < loss >	(1,222,046)
Interest Expense	25,154
Net Income < loss >	$ (1,247,200

See Notes to Financial Statements.

Telco Communications Group, Inc.

STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT
From Inception to December 31, 1993

Issuance of common stock	$ 47
Proceeds of paid in capital in excess of par	871,033
Accumulated <deficit>	(1,247,200)
Total Stockholders' Deficit	$ (376,120)

See Notes to Financial Statements.

Telco Communications Group, Inc.

STATEMENT OF CASH FLOWS
From Inception to December 31, 1993

CASH FLOWS FROM OPERATING ACTIVITIES	
Net <loss>	$ (1,247,200)
Adjustments to reconcile net <loss> to net cash provided by <used in> operating activities	
Depreciation	48,692
Amortization	5,666
Increase in trade receivables	(441,706)
Increase in other receivables	(4,031)
Increase in deposits	(230,560)
Increase in prepaid expenses	(30,853)
Increase in accounts payable	829,662
Increase in accrued expenses	38,069
Net cash <used in> operating activities	(1,032,261)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(218,110)
Leasehold improvements	(68,000)
Net cash <used in> investing activities	(286,110)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from borrowings from shareholders and related parties	796,233
Payments under capital leases	(21,276)
Proceeds from sale of stock	683,347
Net cash provided by financing activities	1,458,304
Net increase in cash and cash equivalents	139,933
Beginning cash and cash equivalents	0
Ending cash and cash equivalents	$ 139,933
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash payments for interest	$ 7,240
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES	
Capital lease obligation incurred for use of equipment	$ 784,325
Equipment acquired for stock	$ 181,681
Deposits acquired for stock	$ 6,052

See Notes to Financial Statements

TELCO COMMUNICATIONS GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

The Company is a full service long distance telephone company headquartered in Chantilly, Virginia. The Company currently provides service to consumers and businesses in the state of Florida under the trade style Dial & Save.

A summary of the Company's significant accounting policies follows:

Revenue recognition:

Revenue is recorded on an accrual basis whereby revenue is recognized when a long distance call is completed and the calls are priced by a third party data processing contractor. Revenues are realized net of a bad debt and an uncollectible allowance.

Sales, advertising and related marketing expenses:

Costs incurred in connection with Company sales, advertising, and marketing activities are realized in the period that they are incurred.

Cash and cash equivalents:

For the purposes of reporting cash flows, the Company considers all cash accounts which are not subject to withdrawal restrictions or penalties to be cash equivalents.

Trade receivables:

Accounts receivable consist primarily of monies due from Local Exchange Carriers ("LEC") (BellSouth Telecommunications, GTE Telephone, and Sprint United Telephone Company) or an authorized billing clearinghouse. The Company contracts with LECs, or an authorized clearinghouse, to bill and collect from it's customers. Accounts receivable are recognized net of collection costs, bad debt and uncollectible allowances, interest expenses and carrying costs. The Company has elected to receive monies due from local telephone companies, via an authorized clearing house on an expedited basis, utilizing an advance payment agreement. Under this agreement, the Company may borrow up to a fixed percentage of the outstanding accounts receivable.

TELCO COMMUNICATIONS GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Property and equipment:

Property and equipment are stated at cost. Depreciation and amortization is computed by the straight line method over the estimated useful lives:

	Years
Leasehold improvements	2
Office furniture & equipment	3
Machinery & equipment	5
Leased equipment	5

Income tax status:

The Company, with the consent of its stockholders, has elected to be taxed under sections of federal and state income tax law, which provide that, in lieu of corporation income taxes, the stockholders separately account for their prorata shares of the Company's items of income, deductions, losses and credits. As a result of this election, no income taxes have been recognized in the accompanying financial statements.

Note 2. Notes Payable to Shareholders

The Company has two (2) unsecured note agreements in the amounts of $43,379 and $28,839 payable to individual stockholders and directors. The note agreements provide for an annual interest rate of 12% payable in monthly installments with principal amounts due on December 31, 1994.

TELCO COMMUNICATIONS GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Short-Term Notes Payable

The Company has two unsecured note agreements payable to third parties in the amounts of $224,000 and $500,000. The note agreements provide for an annual interest rate of at least 12%, payable in monthly installments with principal amounts due June 30, 1994.

Note 4. Commitments

The Company leases it's Chantilly, Virginia and Ft. Lauderdale, Florida offices under operating leases which expire variously through August, 1997.

The total minimum rental commitment as of December 31, 1993, due in future years is as follows:

Years ending December 31,	1994	$ 33,516
	1995	31,944
	1996	28,800
	1997	16,800

The total rent expense from inception to December 31, 1993 was $13,572.

Note 5. Capital Lease Obligations

The Company leases telephone switching equipment under a capital lease agreement. The lease carries an implied interest rate of ten percent (10%) with a term of sixty (60) months and allows for the purchase of the leased equipment at the end of the lease term for $1. This lease is guaranteed by two (2) stockholders and directors.

The Company leases telephone PBX equipment under a capital lease agreement. The lease carries an implied interest rate of 13.9% with a term of twenty-four (24) months and allows for the purchase of the leased equipment at the end of lease term for $1.

TELCO COMMUNICATIONS GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Lease Obligations (Continued)

The total minimum aggregate dollar amount due under capital leases is $784,325 with interest totalling $199,350. The total depreciation on the related assets was $37,294. The total minimum lease commitments due as of December 31, 1993 are as follows:

Years ending in December 31,	1994	$148,463
	1995	157,952
	1996	141,869
	1997	156,725
	1998	158,040

Note 6. Transactions with Related Parties

The Company rents office space in Chantilly, Virginia for a two (2) year term from Telco Development Group, Inc., a corporation which is 74% owned by a company director and stockholder.

The Company purchases data processing services on a month-to-month basis from Tel Labs, Inc., a corporation which is 100% owned by a company director and stockholder.

The Company purchased computer equipment from a corporation owned by a company director and stockholder. Total equipment purchases from the corporation during 1993 were $21,109.

Amounts charged to expenses as a result of transactions with related parties from inception to December 31, 1993 consist of the following:

Rent	$ 12,000
Data processing	5,210
	$ 17,210

All transactions with related parties are at a fair market price, balances are cleared regularly, and similar services are readily available from other suppliers.

As of December 31, 1993 the total amount included in accounts payable due to related parties is $13,545.

Telco Communications Group, Inc.

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
From Inception to December 31, 1993

General and administrative expenses:

Depreciation and amortization	$	54,358
Data processing		5,210
Call center		91,971
Temporary help		1,402
Insurance		4,752
Professional fees		9,427
Mail marketing		838,298
Travel		30,319
Miscellaneous		8,561
Office supplies		12,952
Rent		27,133
Salaries		164,507
Payroll taxes		14,143
	$	1,263,033

See Notes to Financial Statements.

EXHIBIT 2

Managerial Capability

Officers and Directors

OFFICERS:

Mr. Henry G. Luken, III, Chief Executive Officer & Treasurer
Mr. Donald A. Burns, President and Secretary

DIRECTORS:

Henry G. Luken, III, Chairman
Donald A. Burns, Director

Donald A. Burns, Jr.
1835 Vernon Street, N.W.
Washington, DC 20009

Telco Communications Group, Inc. President; Equity Owner. July 1993 - Present.

Responsible for determining strategic direction of company and managing financial, technical, and marketing operations.

Mid Atlantic Telecom, Inc. Washington, D.C.

Executive Vice President; Chief Operating Officer; Minority Equity Owner.
October 1992 - July 1993

- Successfully managed all day-to-day operations of regional interexchange carrier.
- Responsible for negotiation and maintenance of vendor contracts accounting for approximately 60% of annual sales.
- Implemented business systems and controls which enabled company revenues to grow by over 200% in a four year period.
- Instrumental in attracting outside investment in company, resulting in purchase of company by a respected industry leader at a substantial advantage to shareholders.

Director of Operations. 1988 - October 1992

- Successfully completed automation of customer service functions.
- Supervised purchase, installation, and maintenance of switching and networking equipment.
- Responsible for traffic engineering and network design.
- Interfaced directly with large telecommunications customers to determine application-oriented communications solutions.
- Maintained company's compliance with industry regulations.

Long Distance Service, Inc. McLean, VA Director of Operations 1986 - 1988

- Reported directly to Chairman and President of company and supervised staff of four technical and administrative personnel.
- Engineered installation of fully digital DEX-400 switch, replacing analog IXC network.
- Implemented CABS audit program, reducing network expenses in excess of 5% per annum.
- Spearheaded customer service automation effort.
- Participated in strategic marketing and pricing decisions.
- Performed lead role in negotiating large vendor contracts and service credits from major telecom providers.

EXHIBIT 3

Technical Capability

Dial & Save is technically and managerially qualified to provide local exchange resaie services within Florida. Dial & Save has been a long distance service provider in Florida since November, 1994 (Docket No. 930820-TI), and will rely upon the significant existing technical and managerial resources of its parent, Telco Communications Group, Inc., for planning, marketing, network and legal/regulatory assistance in providing local exchange services in the State. In addition, Dial & Save affiliates are authorized to provide resold long distance telecommunications services on an intrastate basis in 47 other states pursuant to certification, registration, or (where appropriate) on a deregulated basis. The successful provision of telecommunications services in Florida and throughout the country is proof in the first instance of Dial & Save's technical qualifications.

State of Florida

Commissioners:
SUSAN F. CLARK, CHAIRMAN
J. TERRY DEASON
JULIA L. JOHNSON
DIANE K. KIESLING
JOE GARCIA

DIVISION OF RECORDS &
REPORTING
BLANCA S. BAYÓ
DIRECTOR
(904) 413-6770

Public Service Commission

May 29, 1996

Katherin A. Rolph, Esquire
c/o Swidler & Berlin, Chartered
3000 K Street, Suite 300
Washington, D.C. 20007-5116

Docket No. 960647-TX

Dear Ms. Rolph:

This will acknowledge receipt of an application for certificate to provide alternative local exchange service by Dial & Save of Florida, Inc., which was filed in this office on May 23, 1996 and assigned the above-referenced docket number. Appropriate staff members will be advised.

A tentative schedule of events in your docket (referred to as a Case Assignment and Scheduling Record or CASR) should be available, upon request, ten (10) working days after establishment of the docket. You may contact the Records Section at (904) 413-6770 or by fax at (904) 413-7118 to request that a copy of the case schedule be faxed or mailed to you. The schedule of events provides you with an opportunity to anticipate completion stages of work in the docket. These dates are subject to change; therefore, you may wish to call the Records Section periodically to obtain revised schedules for your docket. For firm dates of hearings or other activities, please look to the Commission's official notices and orders. You can also obtain information on your docket by accessing the PSC HomePage on the Internet, at **http://www.state.fl.us/psc/**.

Sincerely,

Matilda Sanders

Matilda Sanders
Commission Deputy Clerk