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ORIGINAL FILE COPY

September 9, 1996

961083-TI

VIA OVERNIGHT DELIVERY

Florida Public Service Commission
Division of Administration, Room G-50
101 East Gaines Streets
Tallahassee, Florida 32399-0850

Re: Telscape USA, Inc.

Dear Sir/Madam:

Enclosed please find one original and twelve (12) copies of Telscape USA, Inc.'s Application for Authority to Provide Interexchange Telecommunications Service Within the State of Florida, along with an original and twelve (12) copies of Telscape USA, Inc.'s proposed tariff.

Telscape USA, Inc. has sufficient financial capability to provide the requested service in the State of Florida and has sufficient financial capability to maintain the requested service and to meet its lease or ownership obligations. In support of Telscape, USA, Inc.'s stated financial capability, attached to its application is a copy of Telscape's parent company's financial statements for the year ended December 31, 1995. As a switchless reseller, Telscape USA, Inc. does not intend to make a capital investment to provide service in the State of Florida, however, Telscape USA, Inc. intends to fund the provision of service through internally generated cash flow. Telscape USA, Inc. also has the ability to borrow funds, if required, based upon its financial capabilities.

I also have enclosed a check in the amount of $250.00 payable to the Florida Public Service Commission to cover the cost of filing these documents.

ACK ____
AFA ____
APP ____
CAF ____
CMU ____
CTR ____
EAG ____
LEG ____
LIN ____
OPC ____
RCH ____
SEC ____
WAS ____
OTH ____

RECEIVED & FILED

FPSC-BUREAU OF RECORDS

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.

Initials of person who forwarded check: A.J.

DOCUMENT NUMBER-DATE

09666 SEP 11 96

FPSC-RECORDS/REPORTING

Please return a stamped copy of the extra copy of this letter in the enclosed preaddressed prepaid envelope.

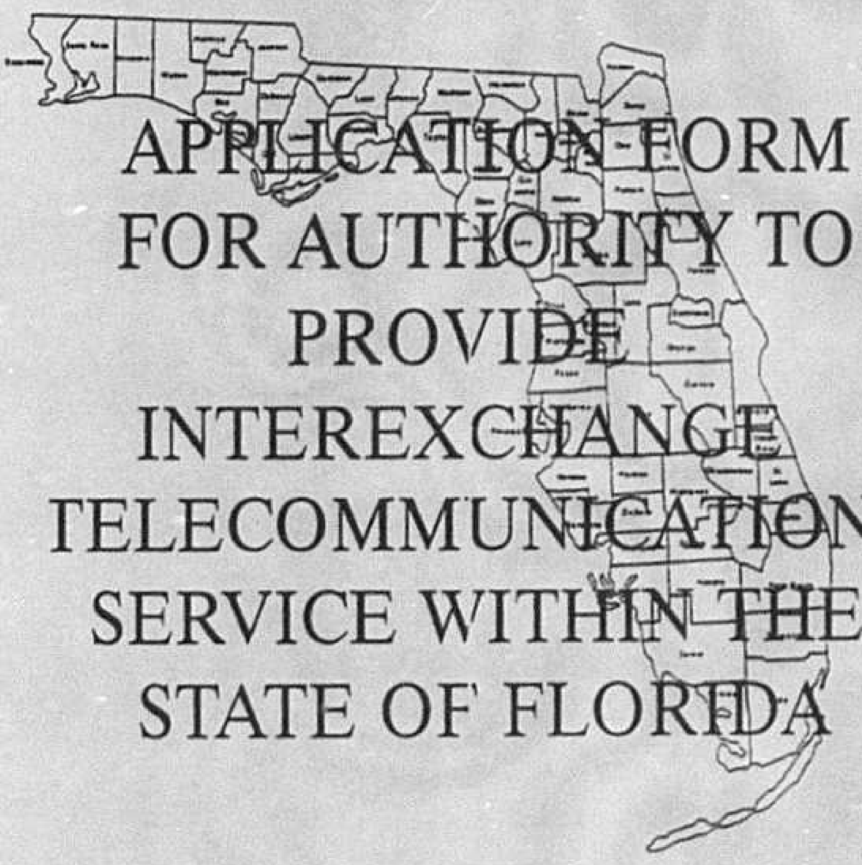
If you have any questions regarding the application or the tariff, please do not hesitate to call me. Thank you for your attention to this matter.

Sincerely,

Lance J.M. Steinhart, Esq.
Attorney for Telscape USA, Inc.

Enclosures
cc: Mr. Scott Crist
LJS/as

961083



APPLICATION FORM FOR AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATION SERVICE WITHIN THE STATE OF FLORIDA

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

- (xx) **Original Authority** (New company).
- ( ) **Approval of Transfer** (To another certificated company).
- ( ) **Approval of Assignment of existing certificate** (To a noncertificated company).
- ( ) **Approval for transfer of control** (To another certificated company).

2. Select what type of business your company will be conducting (check all that apply):

- ( ) **Facilities based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

- ( ) **Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

- ( ) **Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.

- (xx) **Switchless rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.

- ( ) **Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers. Then offers the resold service by enrolling unaffiliated customers.

3. **Name of corporation, partnership, cooperative, joint venture or sole proprietorship:**

Telscape USA, Inc.

4. **Name under which the applicant will do business (fictitious name, etc.):**

5. **National address (including street name & number, post office box, city, state and zip code).**

4635 Southwest Freeway, Suite 800
Houston, TX 77027

6. **Florida address (including street name & number, post office box, city, state and zip code):**

None.

7. **Structure of organization;**

( ) Individual	( ) Corporation
(xxx) Foreign Corporation	( ) Foreign Partnership
( ) General Partnership	( ) Limited Partnership
( ) Other, ____________	

8. **If applicant is an individual or partnership, please give name, title and address of sole proprietor or partners.**

   (a) **Provide proof of compliance with the foreign limited partnership statute (Chapter 620.169 FS), if applicable.**

   (b) **Indicate if the individual or any of the partners have previously been:**

      (1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings.

      (2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

9. If incorporated, please give:

(a) Proof from the Florida Secretary of State that the applicant has authority to operate in Florida.

Corporate charter number: ______________

(b) Name and address of the company's Florida registered agent.
Manuel A. Avila, Lawyer's Plaza, Fifth Floor, 2250 S.W. 3rd Ave., Miami, Florida 33129

(c) Provide proof of compliance with the fictitious name statute (Chapter 865.09 FS), if applicable.

Fictitious name registration number: ________

(c) Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. No.

(2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not. No.

10. Who will serve as liaison with the Commission in regard to (please give name, title, address and telephone number):

(a) The application;Lance J.M. Steinhart, Regulatory Counsel
1100 Abernathy Road, Suite 1112, Atlanta, Georgia 30328
(770) 698-9200

(b) Offical Point of Contact for the ongoing operations of the company; Cynthia L. Trout, Secretary and Treasurer, 4635 Southwest Freeway, Suite 800, Houston, Texas 77027, (713) 968-0968

(c) Tariff; Lance J.M. Steinhart, Regulatory Counsel
See (a) above.

(d) Complaints/Inquiries from customers;
Judy Flisram, Customer Service Manager, 4635 Southwest Freeway, Suite 800, Houston Texas, 77027, (713) 968-0968

11. List the states in which the applicant:

(a) Has operated as an interexchange carrier.
None.

(b) Has applications pending to be certificated as an interexchange carrier.

None.

(c) Is certificated to operate as an interexchange carrier.

None.

(d) Has been denied authority to operate as an interexchange carrier and the circumstances involved.

None.

(e) Has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

None.

(f) Has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

None.

12. What services will the applicant offer to other certificated telephone companies:

( ) Facilities. ( ) Operators.
( ) Billing and Collection. ( ) Sales.
( ) Maintenance.
( ) Other: ______________________

13. Do you have a marketing program?

Yes.

14. Will your marketing program:

(x) Pay commissions?
( ) Offer sales franchises?
( ) Offer multi-level sales incentives?
( ) Offer other sales incentives?

15. Explain any of the offers checked in question 14 (To whom, what amount, type of franchise, etc.).

Applicant will use independant agents to market its services.

16. Who will receive the bills for your service (Check all that apply)?

(xx) Residential customers. (xx) Business customers.
( ) PATS providers. ( ) PATS station end-users.
( ) Hotels & motels. ( ) Hotel & motel guests.
( ) Universities. ( ) Univ. dormitory residents.
( ) Other: (specify)________________________.

17. Please provide the following (if applicable):

(a) Will the name of your company appear on the bill for your services, and if not who will the billed party contact to ask questions about the bill (provide name and phone number) and how is this information provided?

Applicant's name will appear on all end users' bills.

(b) Name and address of the firm who will bill for your service.

18. Please submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed).

19. The applicant will provide the following interexchange carrier services (Check all that apply):

___ **MTS with distance sensitive per minute rates**
_____ Method of access is FGA
_____ Method of access is FGB
_____ Method of access is FGD
_____ Method of access is 800

___ **MTS with route specific rates per minute**
_____ Method of access is FGA
_____ Method of access is FGB
_____ Method of access is FGD
_____ Method of access is 800

xxx **MTS with statewide flat rates per minute (i.e. not distance sensitive)**
___ Method of access is FGA
___ Method of access is FGB
x Method of access is FGD
x Method of access is 800

___ **MTS for pay telephone service providers**

_____ **Block-of-time calling plan (Reach out Florida, Ring America, etc.).**

xxx **800 Service (Toll free)**

x **WATS type service (Bulk or volume discount)**
x Method of access is via dedicated facilities
x Method of access is via switched facilities

___ **Private Line services (Channel Services)**
(For ex. 1.544 mbs., DS-3, etc.)

xxx **Travel Service**
_____ Method of access is 950
x Method of access is 800

___ **900 service**

___ Operator Services
____ Available to presubscribed customers
____ Available to non presubscribed customers (for example to patrons of hotels, students in universities, patients in hospitals.
____ Available to inmates

Services included are:

___ Station assistance
___ Person to Person assistance
___ Directory assistance
___ Operator verify and interrupt
___ Conference Calling

20. What does the end user dial for each of the interexchange carrier services that were checked in services included (above).

1 + Area Code + Number or 1-800-xxx-xxxx

21. _x_ Other:

A. See attached Financial Statements for the year ended 12/31/95 for Applicants Parent Company, Polish Telephones and Microwave Corporation.

B. See attached resumes of Applicant's key employees.

C. Applicant will use the network services of its underlying carrier to provide services to customers in the state of Florida.

ATTACHMENTS:

A - CERTIFICATE TRANSFER STATEMENT
B - CUSTOMER DEPOSITS AND ADVANCE PAYMENTS
C - INTRASTATE NETWORK
APPLICANT ACKNOWLEDGEMENT STATEMENT
D - FLORIDA TELEPHONE EXCHANGES and EAS ROUTES
E - GLOSSARY

**** APPENDIX B ****

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be responded to in one of the following ways (applicant please check one):

(✓) **The applicant will not collect deposits nor will it collect payments for service more than one month in advance.**

(   ) **The applicant will file with the Commission and maintain a surety bond in an amount equal to the current balance of deposits and advance payments in excess of one month. (Bond must accompany application.)**

UTILITY OFFICAL:

Signature: E. Scott Crist (signed) — Date: 9/4/96

E. Scott Crist

Title: President — Telephone No.: 713-968-0968

**** APPLICANT ACKNOWLEDGEMENT STATEMENT ****

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. **APPLICATION FEE:** A non-refundable application fee of $250.00 must be submitted with the application.

5. **RECEIPT AND UNDERSTANDING OF RULES:** I acknowledge receipt and understanding of the Florida Public Service Commission's Rules and Orders relating to my provision of interexchange telephone service in Florida. I also understand that it is my responsibility to comply with all current and future Commission requirements regarding AAV service.

6. **ACCURACY OF APPLICATION:** By my signature below, I the undersigned owner or officer of the named utility in the application, attest to the accuracy of the information contained in this application and associated attachments. I have read the foregoing and declare that to the best of my knowledge and belief, the information is a true and correct statement. 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 offical duty shall be guilty of a misdemeanor of the second degree.

UTILITY OFFICAL: E. Scott Crist
Signature

9/4/96
Date

E. Scott Crist

President
Title

713-968-0968
Telephone No.

FORM PSC/CMU 31 (11/91)

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Polish Telephones and Microwave Corporation

We have audited the accompanying consolidated balance sheet of Polish Telephones and Microwave Corporation and subsidiaries at December 31, 1995, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 1995. 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Polish Telephones and Microwave Corporation and subsidiaries at December 31, 1995, and the consolidated results of their operations and their consolidated cash flows for each of the two years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

Hoffman, McBryde & Co., P.C.

Dallas, Texas
March 27, 1996

HOFFMAN, McBRYDE & CO., P.C.

POLISH TELEPHONES AND MICROWAVE CORPORATION
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1995

Assets

Current assets:		
Cash		$ 173,255
Short-term investments		3,471,615
Accounts receivable		104,891
Inventory		411,000
Other current assets		133,052
Total current assets		4,293,813
Property and equipment:		
Machinery and equipment	$ 196,677	
Demonstration equipment	57,483	
	254,160	
Accumulated depreciation	(100,362)	153,798
Other assets:		
Prepaid expenses	47,390	
Investment in joint venture	2,930	50,320
		$4,497,931

(Continued)

See accompanying notes.

POLISH TELEPHONES AND MICROWAVE CORPORATION
CONSOLIDATED BALANCE SHEET (Continued)
DECEMBER 31, 1995

Liabilities and Stockholders' Equity

Current liabilities:		
Accounts payable		$ 178,705
Accrued liabilities		33,835
Total current liabilities		212,540
Minority interests		695,446
Stockholders' equity:		
Preferred stock, $.001 par value, 4,000,000 shares authorized, no shares issued and outstanding, without defined preference rights	$ 0	
Series A preferred stock, $.001 par value, 1,000,000 shares authorized, no shares issued and outstanding	0	
Common stock, $.001 par value, 10,000,000 shares authorized, 1,890,442 shares issued and outstanding	1,890	
Additional paid-in capital	8,113,238	
Unpaid capital subscriptions	(600,000)	
Accumulated deficit	(3,925,183)	3,589,945
		$4,497,931

See accompanying notes.

POLISH TELEPHONES AND MICROWAVE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 1995 AND 1994

	1995	1994
Revenues	$1,108,473	$ 972,494
Cost of revenues	619,431	439,387
Gross profit	489,042	533,107
Selling, general and administrative expense	1,397,688	1,068,028
Loss from operations	(908,646)	(534,921)
Other income (expense):		
Interest income, net of interest expense of $1,639 in 1995 and $59,267 in 1994	230,799	23,378
Foreign exchange loss	(1,851)	(18,791)
	228,948	4,587
Loss before income taxes	(679,698)	(530,334)
Provision for income taxes:		
Foreign income tax on operations of subsidiary	28,051	40,819
Utilization of foreign operating loss carryforwards	(28,051)	(40,819)
	0	0
Loss before minority interests	(679,698)	(530,334)
Minority interests in subsidiaries' losses (income)	6,633	(18,554)
Net loss	$ (673,065)	$ (548,888)
Net loss per share	$ (.34)	$ (.40)
Weighted average common and common equivalent shares outstanding	1,982,214	1,362,374
Dividends paid per share	$ 0	$ 0

See accompanying notes.

POLISH TELEPHONES AND MICROWAVE CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1995 AND 1994

	Common stock		Series A preferred stock		Additional paid-in	Accumulated
	Shares	Amount	Shares	Amount	capital	deficit
Balances at December 31, 1993	537,378	$ 537	454,860	$ 455	$1,290,390	$(2,103,515)
Issuance of stock in public offering	1,050,000	1,050	0	0	5,847,696	0
Issuance of stock in acquisition of minority interests in subsidiary	161,313	161	0	0	224,839	(225,000)
Conversion of preferred stock	141,751	142	(454,860)	(455)	313	0
Receipt of stock subscriptions receivable	0	0	0	0	150,000	0

(Continued)

See accompanying notes.

POLISH TELEPHONES AND MICROWAVE CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)
YEARS ENDED DECEMBER 31, 1995 AND 1994

	Common stock		Series A preferred stock		Additional paid-in capital	Accumulated deficit
	Shares	Amount	Shares	Amount		
Reclassification of accumulated losses acquired from minority interest in subsidiary	0	0	0	0	0	(191,996)
Net loss, 1994	0	0	0	0	0	(548,888)
Balance at December 31, 1994	1,890,442	1,890	0	0	7,513,238	(3,069,399)
Reclassification of accumulated losses acquired from minority interest in subsidiary	0	0	0	0	0	(182,719)
Net loss, 1995	0	0	0	0	0	(673,065)
Balance at December 31, 1995	1,890,442	$1,890	$ 0	$ 0	$7,513,238	$(3,925,183)

See accompanying notes.

POLISH TELEPHONES AND MICROWAVE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1995 AND 1994

	1995	1994
Cash flows from operating activities:		
Cash received from customers	$ 1,144,647	$ 854,989
Interest received	167,912	66,213
Cash paid to suppliers and employees	(2,128,141)	(1,764,860)
Interest paid	(1,639)	(191,139)
Net cash used for operating activities	(817,221)	(1,034,797)
Cash flows from investing activities:		
Purchases of short-term investments	(10,943,692)	(7,902,878)
Redemption of short-term investment	11,499,763	3,956,150
Cash payments for the purchase of property and equipment	(46,274)	(24,046)
Investment in joint ventures	(2,930)	0
Purchase of minority interest	(62,658)	0
Net cash provided by (used for) investing activities	444,209	(3,970,774)
Cash flows from financing activities:		
Proceeds from issuance of notes payable	0	125,000
Proceeds from issuance of stock	0	6,264,022
Payments of public offering costs	0	(415,276)
Collection of stock subscription	0	150,000
Principal payments on notes payable	0	(669,649)
Net cash provided by financing activities	0	5,454,097
Net increase (decrease) in cash	(373,012)	448,526
Cash at beginning of year	546,267	97,741
Cash at end of year	$ 173,255	$ 546,267

(Continued)

See accompanying notes.

POLISH TELEPHONES AND MICROWAVE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED DECEMBER 31, 1995 AND 1994

	1995	1994
Reconciliation of net loss to net cash used for operating activities:		
Net loss	$(673,065)	$ (548,888)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	48,494	36,018
Interest amortized on discounted short-term investment	(64,526)	(16,433)
Minority interests in subsidiaries' income (losses)	(6,633)	18,554
(Increase) decrease in accounts receivable	75,523	(156,854)
(Increase) decrease in inventory	14,564	(233,564)
Increase in prepaid expense	(117,308)	(23,134)
Decrease in minority interest subscriptions receivable for equipment credits utilized and operating expenses incurred	55,041	113,289
Decrease in accounts payable	(114,447)	(114,108)
Increase (decrease) in accrued liabilities	4,485	(149,026)
Increase (decrease) in customer deposits	(39,349)	39,349
Total adjustments	(144,156)	(485,909)
Net cash used for operating activities	$(817,221)	$(1,034,797)

(Continued)

See accompanying notes.

POLISH TELEPHONES AND MICROWAVE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED DECEMBER 31, 1995 AND 1994

	1995 Debit (Credit)	1994 Debit (Credit)
Supplemental schedule of non-cash investing and financing activities:		
Reduction of subsidiary stock subscription receivable in exchange for credits on equipment:		
Cost of revenues	$ 55,041	$ 113,289
Minority interest	(55,041)	(113,289)
Conversion of Series A preferred stock into common stock:		
Series A preferred stock	$ 0	$ 455
Common stock	0	(142)
Additional paid-in capital	0	(313)
Issuance of stock for minority interests in subsidiary:		
Accumulated deficit	$ 0	$ 225,000
Common stock	0	(161)
Additional paid-in capital	0	(224,839)
Acquisition of minority interest in subsidiary in exchange for reduction in equipment credits:		
Accumulated deficit	$ 0	$ 191,996
Minority interest	0	(191,996)
Increase in carrying value of short-term investment for amortization of discount:		
Short-term investments	$ 64,526	$ 16,432
Interest income	(64,526)	(16,432)

See accompanying notes.

POLISH TELEPHONES AND MICROWAVE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1995 AND 1994

1. Organization and principles of accounting

The consolidated financial statements include the financial statements of Polish Telephones and Microwave Corporation (PTM), a Texas corporation; its wholly-owned subsidiary, Polish Microwave, Inc., (PMI), a Texas corporation; and its 90 percent-owned subsidiary, Digital Telecommunications Systems/Zaklady Wytworcze Urzadzen Telefonicznych (DTS/ZWUT), a corporation organized in Poland.

All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements, and minority interests in the subsidiary are reported separately from stockholders' equity.

PTM was formed to acquire majority interests in joint venture telecommunications companies in Poland. In 1992 it acquired a majority interest in PAV Corporation (PAV) (formerly Arnica, Inc.), a Texas corporation which had entered into a joint venture agreement in Poland for the creation of DTS/ZWUT. The stated purpose of DTS/ZWUT is to manufacture and market telephone switching equipment to businesses, municipalities, and other organizations in Poland. During February and April of 1994, PTM issued additional shares of its common stock in exchange for all outstanding minority interests in PAV (see Note 5), and on June 13, 1994, PAV was merged into PTM.

As described in Note 4, PAV originally acquired a 70 percent interest in DTS/ZWUT, which, on April 20, 1994, was increased to an 80 percent interest in exchange for a reduction in equipment credits owed by one of PAV's venture partners. PTM's investment in DTS/ZWUT was increased to 90 percent on December 4, 1995, when it acquired the 10 percent interest of one of the venture partners in exchange for $62,658 cash.

In 1992 PTM acquired all of the issued common stock of PMI in exchange for $1,000 cash. As of December 31, 1995, PMI had not commenced operations.

2. Significant accounting policies

Investment in debt securities

The Company's investment in U. S. Treasury Bills is reported as short-term investments in the consolidated balance sheet and is classified as available for sale pursuant to the provisions of SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Accordingly, the investments are reported at market value at the balance sheet date, and unrealized gains and losses, if any, are excluded from earnings and reported as a separate component of stockholders' equity. At December 31, 1995, the difference between the market value of the investments and their amortized cost was not material.

Accounts receivable and concentration of credit risk

Provision is made for accounts whose collection is considered doubtful. No provision for doubtful accounts was deemed necessary at December 31, 1995. All of the Company's sales and accounts receivable are with customers in Poland. During the year ended December 31, 1995, 44 percent of the Company's sales were to 2 major customers - Warsaw Technical University (29.5 percent) and Telbank (14.3 percent). During 1994 3 major customers accounted for 62 percent of sales. Substantial down payments are required for sales; however, no collateral is required from customers for trade credit granted by the Company.

Inventories

Inventories consist solely of finished goods and are stated at the lower of cost (first-in, first-out method) or market.

Property and equipment

Property and equipment are stated at cost. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets ranging from 3 to 11 years for machinery and equipment and demonstration equipment.

Statement of cash flows

For purposes of reporting cash flows, cash includes balances held in banks.

Impact of other recently issued accounting standards

Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation* was issued in October 1995 and is effective for transactions entered into in fiscal years that begin after December 15, 1995. This new standard will require certain disclosures regarding the fair market value of the Company's outstanding stock options. The Company will include these disclosures, including proforma information for 1995, in its consolidated financial statements for the year ended December 31, 1996.

Management use of estimates

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

Certain significant estimates

Management estimates included in these financial statements for which it is reasonably possible that a future event could cause the estimate to change and the change could have a severe impact, are as follows:

> As described in Note 7, the Company has fully reserved the potential future tax benefits arising from deferred tax assets.
>
> As described in Note 9, the Company has estimated that a warranty reserve is not necessary, and therefore, has not provided for future claims on units sold as of the balance sheet date.

While it is at least reasonably possible that these estimates will change materially in the near term, no estimate can be made of the range of possible recovery or loss.

3. Foreign operations

The consolidated financial statements include amounts for the foreign subsidiary, DTS/ZWUT, as follows:

For the years ended December 31,

	1995	1994
Net sales	$1,108,473	$ 972,494
Net income (loss)	(66,333)	92,771
Total assets	912,134	1,047,236
Net assets	842,205	908,538

Total assets and net assets of DTS/ZWUT include intercompany accounts with PTM that have been eliminated in the consolidated balance sheet.

Due to cumulative inflation rates in excess of 100 percent over the past 3 years in Poland, the US dollar is considered to be the functional currency for financial reporting by DTS/ZWUT. Accordingly, its financial statements have been remeasured in US dollars, and the resulting exchange loss is reported as a separate component of other expenses. Inventories, property and equipment, and capital are remeasured at historical rates. Other asset and liability accounts are remeasured at rates in effect at the balance sheet date, and revenues and expenses are remeasured at weighted average rates.

Concentration of risk - foreign operations

The Polish government has exercised and continues to exercise substantial influence over Poland's economy, which has been characterized by recessionary and inflationary conditions, and rising unemployment. Uncertainties exist with respect to the future governance of, and economic policies in, Poland. Any political or economic instability, including popular unrest, or any governmental policies that make Poland less hospitable to privately owned or foreign companies, including expropriation, confiscatory taxation, foreign exchange restrictions or nationalization, could have a material adverse effect on the Company. Although it is investigating certain types and forms of insurance, the Company presently does not have insurance covering losses incurred as a result of such political or economic instability.

4. Acquisition of subsidiaries

On March 27, 1992, PTM acquired 81 percent of the outstanding common stock of PAV and a note receivable from PAV in the amount of $425,000 in exchange for $260,000 cash and the assumption of PAV's indebtedness to certain individuals totaling $425,000. Due to the exercise of the conversion option of a note payable into PAV common stock in 1994, PTM owned 78 percent of PAV at December 31, 1993 As described in Note 5, during 1994, PTM acquired all of the minority interests in PAV in exchange for shares of its common stock. On June 13, 1994, PAV was merged into PTM.

On February 17, 1992, PAV entered into a joint venture agreement with Zaklady Wytworcze Urzadzen Telefonicznych (ZWUT), a corporation now owned 80 percent by Siemens and 20 percent by the Solidarity labor union, and Cortelco for the formation of DTS/ZWUT. Under this agreement, PAV acquired a 70 percent interest in DTS/ZWUT in exchange for cash and telephone switching equipment components totaling $861,845, while Cortelco, the principal supplier of the components, acquired a 20 percent interest in DTS/ZWUT in exchange for equipment credits totaling $1,600,000. Of these amounts, during the period to December 31, 1993, PAV and Cortelco paid $861,845 and $505,246, respectively. During 1994, Cortelco paid an additional $113,289. On April 20, 1994, Cortelco agreed to reduce their ownership of DTS/ZWUT from 20 to 10 percent, in exchange for an $800,000 reduction of equipment credits owed by Cortelco to PAV. At December 31, 1995, Cortelco owes PTM $126,424 in equipment credits, which have been netted against minority interests in the accompanying consolidated balance sheet.

On December 4, 1995 PTM acquired from ZWUT its 10 percent interest in DTS/ZWUT for $62,658. This acquisition increased PTM's interest in DTS/ZWUT to 90 percent.

The net book value of the interest acquired in 1995 was $84,221. The revaluation of subsidiary assets is not considered material to the consolidated financial statements and has not been recorded.

The minority interest acquired in 1994 was accounted for by a reclassification to paid-in capital for amounts contributed and to accumulated deficit for the minority interest share of prior period accumulated losses. No value was attributed to shares of common stock issued in exchange for minority interests, in view of the negative value of such interests acquired.

No goodwill has been recognized in connection with the acquisitions of PAV and DTS/ZWUT.

5. Common and preferred stocks

Series A preferred stock is $.001 par value with 1,000,000 shares authorized. Its preference rights are limited to liquidation of the Company. In 1994, all of the 454,860 shares of Series A preferred stock outstanding were converted into 141,751 shares of common stock.

In addition, 4,000,000 shares of a separate class of preferred stock with \$.001 par value are authorized, of which no shares are issued or outstanding. This class has no defined preference features.

Common stock is \$.001 par value with 10,000,000 shares authorized. On February 28, 1994, the Company issued 23,414 shares and on April 15, 1994, 137,899 shares in exchange for all of the 22 percent minority interest in PAV. The shares have been valued at \$225,000, which is the amount of capital contributed to PAV by the minority interest holders, and a like amount has been charged to accumulated deficit in reclassification of accumulated losses previously charged to minority interest.

On August 10, 1994, the Company underwent a public offering in which 1,050,000 shares of its common stock were issued in exchange for \$7,087,500 cash. Costs of the offering totaled \$1,238,754 and have been charged against additional paid-in capital.

In connection with the public offering, the Company issued warrants that may be exchanged for a total of 525,000 shares of common stock at a price of \$8.00 per share, subject to adjustment under certain circumstances, at any time until August 10, 1998. No value has been attributed to the warrants in the accompanying consolidated balance sheet.

Under the terms of its 1993 Stock Option Plan the Company may grant incentive and/or non-qualified stock options to purchase up to 218,145 shares of its common stock to the Company's employees, directors or consultants. Options must be granted at not less than the fair market value of the Company's common stock at the date of grant as determined by the Company's Board of Directors (110 percent of fair market value for stockholders owning 10 percent or more of the Company's common stock) for incentive stock options, or not less than 85 percent of the fair market value for non-qualified stock options. Options granted under this plan are for a term of 10 years (5 years for stock options granted to stockholders owning 10 percent or more of the Company's common stock) and are exercisable as determined by the Board of Directors at the date of grant. At December 31, 1995, options to purchase 217,558 shares of common stock had been granted and were outstanding, including 128,394 shares at \$.80 per share, 31,164 shares at \$6.42 per share, and 58,000 shares granted in 1995 at \$2.25 per share.

Effective June 1, 1994, the Company adopted the Outside Directors Stock Option Plan, which provides that the Company may grant nonqualified options to purchase up to 31,163 shares of its common stock to directors of the Company or any majority-owned subsidiary who are not salaried employees. Options must be granted by June 1, 2004, at prices not less than the fair market value of the Company's common stock at the date of grant, as determined by the closing sales price of the stock, and must be exercisable within 10 years of the date of grant. During 1995, options to purchase 20,000 shares of common stock, 10,000 shares at $3.06 per share and 10,000 shares at $1.75 per share, were granted and are outstanding at December 31, 1995.

6. Related party transactions

As described in Note 4, Cortelco is the principal supplier of telephone switching components assembled and marketed by DTS/ZWUT. The components are purchased in the United States by PTM for shipment to DTS/ZWUT. During the years ended December 31, 1995 and 1994, purchases from Cortelco totaled $198,641 and $431,207, respectively, of which $55,041 in 1995 and $113,289 in 1994 were credited against Cortelco's stock subscription as described in Note 4. At December 31, 1995, $76,251 was owed to Cortelco for unpaid purchases.

7. Income taxes

There is no provision for U.S. federal or state income taxes and for foreign income taxes for the periods presented, since the Company has incurred operating losses since inception. In addition, the Company has fully reserved the potential future tax benefits resulting from the utilization of U.S. net operating loss carryforwards, Polish operating loss carryforwards and other temporary timing differences.

The tax effect of temporary differences and net operating loss carryforwards that create U.S. deferred tax assets consist of the following:

For the years ended December 31,

	1995	1994
Net operating loss carryforwards	$ 560,319	$ 355,175
Accrued wages not deductible	13,260	4,760
Deferred costs	23,283	28,475
Valuation allowance	(596,862)	(388,410)
	$ 0	$ 0

The tax effect of temporary differences and operating loss carryforwards that create foreign deferred tax assets consist of the following:

For the years ended December 31,

	1995	1994
Operating loss carryforwards	$ 18,244	$ 138,376
Temporary timing differences	0	78,968
Valuation allowance	$ (18,244)	(217,344)
	$ 0	$ 0

At December 31, 1995, the Company had available for U.S. federal income tax purposes unused net operating loss carryforwards of approximately $1,658,000, which may provide future tax benefits and which will expire in years 2005 through 2010. These net operating loss carryforwards are subject to certain limitations on annual utilization in the event of certain changes in ownership of the Company. These limitations could significantly reduce the amount of the net operating loss available to the Company in the future.

DTS/ZWUT utilized Polish operating loss carryforwards to offset its current income tax liability equal to $28,051 and $40,819 for the years ended December 31, 1995 and 1994, respectively. Operating loss carryforwards must be utilized one-third per year over 3 years, and the portion available each year expires if not used. At December 31, 1995, DTS/ZWUT had available unused operating loss carryforwards of approximately $46,000, which may provide future tax benefits and which will expire in 1996.

8. Net income (loss) per share

The net income (loss) per common and common equivalent share is based on the weighted average number of shares of common stock outstanding. For 1995, common equivalent shares include stock options for 196,394 shares granted at prices below the average fair market (trading) price of $2.34 per share, as if they were outstanding for the entire year, calculated by the treasury stock method for the period prior to actual issuance, in accordance with Securities and Exchange Commission Staff Accounting Bulletin requirements.

For 1994, common equivalent shares include stock options for 128,394 shares granted at prices below the average fair market (trading) price during the period from the date of the public offering to December 31, 1995, of $4.96 per share, as if they were outstanding for the entire year, calculated by the treasury stock method as described above. Fully weighted common equivalent shares consist of the 161,313 shares issued in connection with the acquisition of the minority interests in PAV and the 141,751 shares issued in exchange for all of the outstanding Series A preferred stock.

9. Warranties

All sales contracts include commitments for warranty equipment repair for periods ranging from 15 to 18 months after initiation of service. The Company has offsetting equipment warranty from Cortelco for 12 months and for locally produced parts there is testing and repair capability. Experience indicates that most equipment failures will occur prior to, or in the first months after, initiation of service. This is well within the manufacturer warranty period. At December 31, 1995, the Company has 17 switches under warranty. No material liability for warranty service is anticipated or accrued by the Company.

10. Commitments and contingencies

PTM leased office space on a month-to-month basis under terms of operating leases for $1,113 monthly. Effective March 1, 1996 PTM moved its administrative office location and entered into a sublease agreement with lease term commencing on March 1, 1996 and ending on August 31, 1998. The lease payments will be $1,050 per month until August 31, 1996, increasing to $1,130 per month until August 31, 1997, then $1,210 per month until August 31, 1998.

The plant facilities of DTS/ZWUT were leased under an operating lease agreement which provided for monthly rentals, including utilities, of approximately $10,000. The lease expired in May 1995. In August 1995, DTS/ZWUT signed a lease for office and manufacturing facilities of approximately 1,243 square meters. The lease is for 5 years from the date of building occupancy and calls for monthly payments of $5,000. Normal maintenance, security and operating expenses are to be covered by DTS/ZWUT. The agreement required building renovations of $100,000 to be completed by DTS/ZWUT and transferred to the property owner. In return DTS/ZWUT received 20 months of prepaid rent from initial occupancy. The required renovation work was substantially completed by year end 1995, and the leased property has been occupied. DTS/ZWUT has recorded prepaid rent in the amount of the leasehold improvements.

Future minimum lease payments under noncancelable leases as of December 31, 1995 are as follows:

1996	$ 70,820
1997	73,880
1998	69,680
1999	60,000
2000	60,000
Thereafter	0
	$334,380

Total rent expense under these leases was $125,218 and $126,467, respectively, for the years ended December 31, 1995 and 1994.

11. Proforma information

Minority interests in subsidiaries' losses, net loss and net loss per share as reported in the consolidated statement of operations for the year ended December 31, 1995 reflect the consolidating adjustment for the minority interest in DTS/ZWUT that was acquired by PTM in 1995. If the acquisition of that minority interest was applied retroactively to 1994, minority interests in subsidiaries income, net loss and net loss per share would be $9,277, $539,611, and $.40, respectively.

12. Investment in joint venture

During 1995, the Company made an investment in a Polish joint venture "TELINFO". The joint venture was formed to provide telecommunication services in a rural area of Poland. The Company has a 34 percent interest in the joint venture and has no continuing obligation to fund or guarantee the liabilities of the joint venture. Currently, the joint venture has no significant operations but is seeking a telephone operator's license for the Suwalki, Poland area.

13. Business combination

In December 1995 PTM signed a letter of intent with Telereunion (TEL), a privately owned Delaware corporation. TEL is a telecommunications equipment and service company with operations primarily in Mexico. The letter of intent provides for the proposed acquisition by PTM of 100 percent of the common stock of TEL in exchange for 1,605,000 shares of common stock of PTM and warrants to purchase up to 2,595,000 additional shares at 120 percent of the average market (trading) price for 20 trading days preceding the date on which the letter is executed. The warrants would become exercisable as the combined companies meet certain financial objectives and would expire 5 years and 4 months after closing. The letter of intent expired as of March 1, 1996, however, both PTM and TEL are continuing to pursue finalization of the proposed business combination through ongoing negotiations.

On December 21, 1995, the board of directors authorized management of the Company to develop a business relationship with Elterix, a Polish company developing a private network for 70,000 telephone lines.

Also on December 21, 1995, the board of directors authorized management of the Company to create a joint venture Polish company for the purpose of developing the pay-phone business.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Part III

[The information required by Part III, Items 9, 10, 11 and 12 are set forth in the Proxy Statement to be delivered to shareholders in connection with the Company's Annual Meeting of Shareholders presently scheduled to be held on May 16, 1996, which information is incorporated herein by reference.]

Item 13. Exhibits and Reports on Form 8-K.

(a) Exhibits. See index to Exhibits on page 42. Each of the following exhibits described on the index to exhibits is a management contract for compensatory plan or arrangement: 10.1, 10.2, 10.5, 10.6.

(b) Reports on Form 8-K.

On December 12, 1995 the Company filed a report on Form 8-K reporting that by unanimous consent of the Board of Directors executed effective as of November 17, 1995, in accordance with the terms of the Bylaws of the Company, the Directors amended the Bylaws to provide that the Directors shall determine the size of the Board. Subsequent to this amendment, the Directors increased the size of the Board to six members. The Board elected Mr. Kenneth Gregson as a Director to fill the seat vacated by the resignation of W. Dal Berry in June of 1995. In addition, Mr. Christopher Efird was elected as a Director to fill the seat created by the increase in the size of the Board. Messrs. Gregson and Efird will serve as Directors until the next annual meeting of the shareholders of the Company and their successors are duly elected and qualified.

On December 8, 1995, the Company acquired an additional 10% equity interest in its subsidiary, Digital Telecommunication Systems/ZWUT, increasing the Company's ownership from 80% to 90%. The Company purchased the additional equity interest from ZWUT-SA, a Polish telecommunications equipment manufacturing subsidiary of Siemens, A.G., for approximately $67,000 in cash.

SIGNATURES

In accordance with Section 13 of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) Polish Telephones and Microwave Corporation

By (Signature and Title) /s/ Gary Panno

Gary Panno, President, Chief Executive Officer and Chairman of the Board of Directors

Date 3/28/96

By (Signature and Title) /s/ Donald J. Hoff

Donald J. Hoff, Controller

Date 3/28/96

SIGNATURES (cont.)

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title) /s/ Gary Panno
Gary Panno, President, Chief Executive Officer and Chairman of the Board of Directors

Date 3/28/96

By (Signature and Title) /s/ Christopher Efird
Christopher H. Efird, Director

Date 3/28/96

By (Signature and Title) /s/ Kenneth Gregson
Kenneth Gregson, Director

Date 3/28/96

By (Signature and Title) /s/ Roy A. Varghese

Roy A. Varghese, Director

Date 3/28/96

Index of Exhibits

Exhibit No.		Description
3.1	-	Articles of Incorporation of the Registrant, as amended (filed as Exhibit 3.1 to the Company's Registration Statement No. 33-80542-D and incorporated herein by reference)
3.2	-	Bylaws of the Registrant, as amended
3.3	-	Articles of Incorporation of Polish Microwave, Inc. (filed as Exhibit 3.3 to the Company's Registration Statement No. 33-80542-D and incorporated herein by reference)
3.4	-	Bylaws of Polish Microwave, Inc. (filed as Exhibit 3.4 to the Company's Registration Statement No. 33-80542-D and incorporated herein by reference)
3.5	-	Contract of Limited Liability Company of DTS/ZWUT (filed as Exhibit 3.5 to the Company's Registration Statement No. 33-80542-D and incorporated herein by reference)
4.1	-	Form of Certificate evidencing Common Stock (filed as Exhibit 4.1 to the Company's Registration Statement No. 33-80542-D and incorporated herein by reference)
4.2	-	Form of Warrant Agreement between American Stock Transfer & Trust Company and the Company (filed as Exhibit 4.2 to the Company's Registration Statement No. 33-80542-D and incorporated herein by reference)
4.3	-	Form of Warrant Certificate evidencing the Warrants (filed as Exhibit 4.3 to the Company's Registration Statement No. 33-80542-D and incorporated herein by reference)
10.1	-	1994 Employee Stock Option Plan (filed as Exhibit 10.1 to the Company's Registration Statement No. 33-80542-D and incorporated herein by reference)
10.2	-	1994 Stock Option Plan for Directors (filed as Exhibit 10.2 to the Company's Registration Statement No. 33-80542-D and incorporated herein by reference)
10.3	-	Agreement dated January 10, 1992 between Solid State Systems Division of Cortelco and PAV Corporation (formerly, ARNICA, Inc.)
10.4	-	Agreement dated April 20, 1994 between the Registrant and Cortelco (filed as Exhibit 10.4 to the Company's Registration Statement No. 33-80542-D and incorporated herein by reference)
10.5	-	Employment Agreement between the Company and W. Dal Berry (filed as Exhibit 10.5 to the Company's Registration Statement No. 33-80542-D and incorporated herein by reference)
10.6	-	Employment Agreement between the Company and S.P. Krishna Murthy (filed as Exhibit 10.6 to the Company's Registration Statement No. 33-80542-D and incorporated herein by reference)
10.7	-	Agreement and Plan of Merger between the Company and PAV Corporation dated June 7, 1994 (filed as Exhibit 10.7 to the Company's Registration Statement No. 33-80542-D and incorporated herein by reference)
10.8	-	Form of Representative's Warrants (filed as Exhibit 10.8 to the Company's Registration Statement No. 33-80542-D and incorporated herein by reference)
10.9	-	Agreement dated September 28, 1992 between the Registrant and Microwave Network Incorporated (filed as Exhibit 10.9 to the Company's Registration Statement No. 33-80542-D and incorporated herein by reference)
10.10	-	Form of letter agreement between the Registrant and Cortelco (filed as Exhibit 10.10 to the Company's Registration Statement No. 33-80542-D and incorporated herein by reference
*10.11	-	Distribution Agreement dated May 2, 1995 between the Registrant and DSC International Corporation
*10.12	-	Severance Agreement between the Company and S.P. Krishna Murthy
*10.13	-	Warrant Agreement between the Company and S.P. Krishna Murthy
*10.14	-	Stock Purchase agreement between the Company and Elterix S.A.
*10.15	-	Letter of intent between the Company and Telereunion, Inc.
*11.1	-	Statement regarding computation of per share earnings
*21.1	-	Subsidiaries of the registrant

* Filed herewith

Polish Telephones and Microwave Corporation

Board of Directors

Gary Panno
Chairman of the Board, President and Chief Executive Officer

Christopher H. Efird
Principal
Benchmark Equity Group

Kenneth Gregson
Retired Chairman and Chief Executive Officer
Tandycrafts

Darrell Kirkland
Principal
Kirkland & Associates

Roy A. Varghese
Management Consultant

Leszek B. Wronski
Vice President
Price Waterhouse Business Information Technologies

Officers

Gary Panno
Chairman of the Board, President and Chief Executive Officer

Donald J. Hoff
Controller

Mamal Khorouzan
Vice President of Manufacturing Operations for DTS/ZWUT

William Vetter
Chief Financial Officer of DTS/ZWUT

Corporate Headquarters

Polish Telephones and Microwave Corporation
433 East Las Colinas Blvd., Suite 815
Irving, Texas 75039
Tel. (214) 831-8722
Fax (214) 831-8723

Annual Shareholders' Meeting

The Annual Meeting of Shareholders will be held at 10:00 a.m., Thursday, May 16, at Holiday Inn, Houston Room
4441 Hwy. 114 at Esters Blvd.
Irving, Texas 75063

Form 10-KSB Report

The Company's report on Form 10-KSB for the year ended December 31, 1995 may be obtained by writing:

Donald J. Hoff
Controller
Polish Telephones and Microwave Corporation
433 East Las Colinas Blvd., Suite 815
Irving, Texas 75039

Auditors

Hoffman, McBryde & Co., P.C.
12750 Merit Drive, Suite 1210
Dallas, Texas 75251

Transfer Agent

American Stock Transfer & Trust Company
40 Wall Street, 46th Floor
New York, New York 10005

Biographies of Management

Scott Crist. Mr. Crist was President and CEO for Matrix Telecom. He also was a founder of DNS Communications. He was formerly Vice President of Acquisitions for Trammell Crow Group with specific focus on U.S. capital market transactions. Mr. Crist has an MBA from the J. L. Kellogg School at Northwestern University of Chicago, and received a B.S. magna cum laude in Electrical Engineering with emphasis on telecommunications design from North Carolina State University. Prior to joing Trammell Crow, Mr. Crist worked in acquisitions for AMLI Corporation of Chicago, and was responsible for sourcing and underwriting income-producing assets on behalf of the firm's institutional clients. Prior to that, he worked in New York as a strategy consultant for where he was responsible for investigating competitive business situations for Fortune 200 technology companies. In addition, he was a design engineer for IBM corporation in Research Triangle, North Carolina.

Mark Vance. Mr. Vance was Executive Vice President, COO and CFO for Matrix Telecom. He also was a founder of DNS Communications. He has over 15 years experience in management and business development, and received his B.S. in Finance from Louisiana State University, and an MBA from the University of Houston. He served as Director of Finance for WilTel Long Distance Services. As CFO, he was responsible for financial, administrative, and human resource matters in addition to strategic marketing, pricing and sales policies. As a Business Consultant, he has developed plans and marketing programs for companies in telecommunications, including Southern Pacific Telecom. Prior to joining WilTel, he held management positions with Mitchell Energy & Development, Texas Energy, Quintana Petroleum and Texaco.

Cynthia Trout. Ms. Trout was Director of Customer Relations for Matrix Telecom. She was responsible for the development of Customer Service, Retention, Win-back, and Collections. Prior to her move into operations, she organized the telemarketing center for Direct Network Services. From 1985 to 1989 she worked at AT&T American Transtech where she managed the *National Winback Program* for both the English and Hispanic markets. While at AT&T, Ms. Trout developed and implemented various sales and customer service training programs, organized business to business projects, and inacted a quality improvement program. In 1985 she worked for Telus/ATC Communications developing the C.A.R.E. department as well as conference calling. She is a graduate from Brigham Young University with a B.A. in History.

Stephen Garvin. Mr. Garvin joined Orion in May 1996. Prior to joining Orion, Mr. Garvin was Vice President of TeleSystems Technologies, a company comprised of Network Pros Inc., Conference Pros International and TeleSystems Marketing. In 1995, he was Director of Sales and Marketing for TotalNet Communications the number one fastest growing company in the Houston 100. He was nominated two consecutive years for "Entrepreneur of the Year". Mr. Garvin also worked for MCI as Senior Account Manager and was awarded the "Chairman's Inner Circle Award" for having achieved the top 1% in overall company sales. He has an in-depth knowledge of telecommunications with an outstanding background in sales, marketing and operations. Mr. Garvin attended Western Illinois University and has a B.A. in Communications.

TITLE SHEET

FLORIDA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service or facilities for Telecommunications Services furnished by Telscape USA, Inc. ("TUI"), with principal offices at 4635 Southwest Freeway, Suite 800, Houston, Texas 77027. This tariff applies for services furnished within the State of Florida. This tariff 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.

CONCURRING, CONNECTING OR

OTHER PARTICIPATING CARRIERS AND

BILLING AGENTS

1. Concurring Carriers - None

2. Connecting Carriers - None

3. Other Participating Carriers - None

4. Billing Agents - None

CHECK SHEET

Sheets 1 through 32 inclusive of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this sheet.

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
23	Original
24	Original
25	Original
26	Original
27	Original
28	Original
29	Original
30	Original
31	Original
32	Original

* New or Revised Sheet

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ALPHABETICAL INDEX

TARIFF 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 tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between pages 11 and 12 would be page 11.1.

B. Sheet Revision Numbers: Revision numbers also appear in the upper right corner of each sheet where applicable. These numbers are used to indicate the most current page version on file with the Commission. For example, 4th Revised Sheet 13 cancels 3rd Revised Sheet 13. Consult the Check Sheet for the sheets 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)
2.1.1.A.1.(a).I
2.1.1.A.1.(a).I.(i)
2.1.1.A.1.(a).I.(i).(1)

D. Check Sheets: When a tariff filing is made with the Commission, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists the sheets contained in the tariff, with a cross reference to the current Revision Number. When new sheets 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 this sheet if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some sheets). The tariff user should refer to the latest Check Sheet to find out if a particular sheet is the most current on Commission file.

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 Tariff 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

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

Access Line - An arrangement from a local exchange telephone company or other common carrier, using either dedicated or switched access, which connects a Customer's location to TUI's location or switching center.

Authorization Code - A numerical code, one or more of which may be assigned to a Customer, to enable TUI to identify the origin of the Customer so it may rate and bill the call. Automatic number identification (ANI) is used as the authorization code wherever possible.

Commission - Used throughout this tariff to mean the Florida Public Service Commission.

Customer - The person, firm, corporation or other legal entity which orders the services of TUI or purchases a TUI Prepaid Calling Card and/or originates prepaid calls using such cards, and is responsible for the payment of charges and for compliance with the Company's tariff regulations.

Company or TUI - Used throughout this tariff to mean Telscape USA, Inc., a Texas corporation.

Holiday - New Year's Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Holidays shall billed at the evening rate from 8 a.m. to 11 p.m. After 11 p.m., the lower night rate shall go into effect.

Prepaid Account - An inventory of Telecom Units purchased in advance by the Customer, and associated with one and only one Authorization Code as contained in a specific Prepaid Calling Card.

Prepaid Calling Card - A card issued by the Company, containing an Authorization Code which identifies a specific Prepaid Account of Telecom Units, which enables calls to be processed, account activity to be logged, and balances to be maintained, on a prepayment basis.

Telecom Unit - A measurement of telecommunications service equivalent to one minute of usage between any two points within the State of Florida.

Telecommunications - The transmission of voice communications or, subject to the transmission capabilities of the services, the transmission of data, facsimile, signaling, metering, or other similar communications.

Underlying Carrier - The telecommunications carrier whose network facilities provide the technical capability and capacity necessary for the transmission and reception of Customer telecommunications traffic.

SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of the Company

This tariff contains the regulations and rates applicable to intrastate resale telecommunications services provided by TUI for telecommunications between points within the State of Florida. Resale services are furnished subject to the availability of facilities and subject to the terms and conditions of this tariff in compliance with limitations set forth in the Commission' rules. The Company's services are provided on a statewide basis and are not intended to be limited geographically. The Company offers service to all those who desire to purchase service from the Company consistent with all of the provisions of this tariff. Customers interested in the Company's services shall file a service application with the Company which fully identifies the Customer, the services requested and other information requested by the Company. The Company may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the Customer, to allow connection of a Customer's location to a service provided by the Company. The Customer shall be responsible for all charges due for such service arrangement. The Company does not own any switching, transmission or other physical facilities in Florida.

2.1.1 The services provided by TUI are not part of a joint undertaking with any other entity providing telecommunications channels, facilities, or services, but may involve the resale of the Message Toll Services (MTS) and Wide Area Telecommunications Services (WATS) of underlying common carriers subject to the jurisdiction of this Commission.

2.1.2 The rates and regulations contained in this tariff apply only to the resale services furnished by TUI and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other common carriers for use in accessing the services of TUI.

2.1.3 The Company reserves the right to limit the length of communications, to discontinue furnishing services, or limit the use of service necessitated by conditions beyond its control, including, without limitation: lack of satellite or other transmission medium capacity; the revision, alteration or repricing of the Underlying Carrier's tariffed offerings; or when the use of service becomes or is in violation of the law or the provisions of this tariff.

2.2 Use of Services

2.2.1 TUI's services may be used for any lawful purpose consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of services, subject to any limitations set forth in this Section 2.2.

2.2.2 The use of TUI's services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another or in such a way as to unreasonably interfere with use by others is prohibited.

2.2.3 The use of TUI's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, schemes, false or invalid numbers, or false calling or credit cards is prohibited.

2.2.4 TUI's services are available for use twenty-four hours per day, seven days per week.

2.2.5 TUI does not transmit messages, but the services may be used for that purpose.

2.2.6 TUI's services may be denied for nonpayment of charges or for other violations of this tariff.

2.2.7 Customers shall not use the service provided under this tariff for any unlawful purpose.

2.2.8 The Customer is responsible for notifying the Company immediately of any unauthorized use of services.

2.3 Liability of the Company

2.3.1 The Company shall not be liable for any claim, loss, expense or damage for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff, if caused by the Underlying Carrier, an act of God, fire, war, civil disturbance, act of government, or due to any other causes beyond the Company's control.

2.3.2 The Company shall not be liable for, and shall be fully indemnified and held harmless by the Customer against any claim, loss, expense, or damage for defamation, libel, slander, invasion, infringement of copyright or patent, unauthorized use of any trademark, trade name or service mark, proprietary or creative right, or any other injury to any person, property or entity arising out of the material, data or information transmitted.

2.3.3 No agent or employee of any other carrier or entity shall be deemed to be an agent or employee of the Company.

2.3.4 The Company's liability for damages, resulting in whole or in part from or arising in connection with the furnishing of service under this tariff, including but not limited to mistakes, omissions, interruptions, delays, errors, or other defects or misrepresentations shall not exceed an amount equal to the charges provided for under this tariff for the long distance call for the period during which the call was affected. No other liability in any event shall attach to the Company.

2.3.5 The Company shall not be liable for and shall be indemnified and saved harmless by any Customer or by any other entity from any and all loss, claims, demands, suits, or other action or any liability whatsoever, whether suffered, made, instituted, or asserted by any Customer or any other entity for any personal injury to, or death of, any person or persons, and for any loss, damage, defacement or destruction of the premises of any Customer or any other entity or any other property whether owned or controlled by the Customer or others.

2.3.6 The Company shall not be liable for any indirect, special, incidental, or consequential damages under this tariff including, but not limited to, loss of revenue or profits, for any reason whatsoever, including the breakdown of facilities associated with the service, or for any mistakes, omissions, delays, errors, or defects in transmission occurring during the course of furnishing service.

2.3.7 The remedies set forth herein are exclusive and in lieu of all other warranties and remedies, whether express, implied, or statutory, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

2.4 Responsibilities of the Customer

2.4.1 The Customer is responsible for placing any necessary orders and complying with tariff regulations. The Customer is also responsible for the payment of charges for services provided under this tariff.

2.4.2 The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by TUI on the Customer's behalf.

2.4.3 If required for the provision of TUI's services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to TUI.

2.4.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to TUI and the Customer when required for TUI personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of TUI's services.

2.4.5 The Customer shall cause the temperature and relative humidity in the equipment space provided by Customer for the installation of TUI's equipment to be maintained within the range normally provided for the operation of microcomputers.

2.4.6 The Customer shall ensure that the equipment and/or system is properly interfaced with TUI's facilities or services, that the signals emitted into TUI's network are of the proper mode, bandwidth, power and signal level for the intended use of the subscriber and in compliance with criteria set forth in this tariff, and that the signals do not damage equipment, injure personnel, or degrade service to other Customers. If the Federal Communications Commission or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with interstate communications service, TUI will permit such equipment to be connected with its channels without the use of protective interface devices. If the Customer fails to maintain the equipment and/or the system properly, with resulting imminent harm to TUI equipment, personnel or the quality of service to other Customers, TUI may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, TUI may, upon written notice, terminate the Customer's service.

2.4.7 The Customer must pay TUI for replacement or repair of damage to the equipment or facilities of TUI caused by negligence or willful act of the Customer or others, by improper use of the services, or by use of equipment provided by Customer or others.

2.4.8 The Customer must pay for the loss through theft of any TUI equipment installed at Customer's premises.

2.4.9 If TUI installs equipment at Customer's premises, the Customer shall be responsible for payment of any applicable installation charge.

2.4.10 The Customer must use the services offered in this tariff in a manner consistent with the terms of this tariff and the policies and regulations of all state, federal and local authorities having jurisdiction over the service.

2.5 Cancellation or Interruption of Services

2.5.1 Without incurring liability, upon five (5) working days' (defined as any day on which the company's business office is open and the U.S. Mail is delivered) written notice to the Customer, TUI may immediately discontinue services to a Customer or may withhold the provision of ordered or contracted services:

2.5.1.A For nonpayment of any sum due TUI for more than thirty (30) days after issuance of the bill for the amount due,

2.5.1.B For violation of any of the provisions of this tariff,

2.5.1.C For violation of any law, rule, regulation, policy of any governing authority having jurisdiction over TUI's services, or

2.5.1.D By reason of any order or decision of a court, public service commission or federal regulatory body or other governing authority prohibiting TUI from furnishing its services.

2.5.2 Without incurring liability, TUI may interrupt the provision of services at any time in order to perform tests and inspections to assure compliance with tariff regulations and the proper installation and operation of Customer and TUI's equipment and facilities and may continue such interruption until any items of noncompliance or improper equipment operation so identified are rectified.

2.5.3 Service may be discontinued by TUI without notice to the Customer, by blocking traffic to certain countries, cities or NXX exchanges, or by blocking calls using certain Customer authorization codes, when TUI deems it necessary to take such action to prevent unlawful use of its service. TUI will restore service as soon as it can be provided without undue risk, and will, upon request by the Customer affected, assign a new authorization code to replace the one that has been deactivated.

2.5.4 The Customer may terminate service upon thirty (30) days written notice for the Company's standard month to month contract. Customer will be liable for all usage on any of the Company's service offerings until the Customer actually leaves the service. Customers will continue to have Company usage until the Customer notifies its local exchange carrier and changes its long distance carrier. Until the Customer so notifies its local exchange carrier, it shall continue to generate and be responsible for long distance usage.

2.6 <u>Credit Allowance</u>

2.6.1 Credit allowance for the interruption of service which is not due to the Company's testing or adjusting, negligence of the Customer, or to the failure of channels or equipment provided by the Customer, are subject to the general liability provisions set forth in 2.3 herein. It shall be the obligation of the Customer to notify the Company immediately of any interruption in service for which a credit allowance is desired. Before giving such notice, the Customer shall ascertain that the trouble is not being caused by any action or omission by the Customer within his control, or is not in wiring or equipment, if any, furnished by the Customer and connected to the Company's facilities.

2.6.2 No credit is allowed in the event that service must be interrupted in order to provide routine service quality or related investigations.

2.6.3 Credit for failure of service shall be allowed only when such failure is caused by or occurs due to causes within the control of the Company or in the event that the Company is entitled to a credit for the failure of the facilities of the Company's Underlying Carrier used to furnish service.

2.6.4 Credit for interruption shall commence after the Customer notifies the Company of the interruption or when the Company becomes aware thereof, and ceases when service has been restored.

2.6.5 For purposes of credit computation, every month shall be considered to have 720 hours.

2.6.6 No credit shall be allowed for an interruption of a continuous duration of less than two hours.

2.6.7 The Customer shall be credited for an interruption of two hours or more at the rate of 1/720th of the monthly charge for the facilities affected for each hour or major fraction thereof that the interruption continues.

Credit Formula:

$$\text{Credit} = \frac{A}{720} \times B$$

"A" - outage time in hours
"B" - monthly charge for affected activity

2.7 Restoration of Service

The use and restoration of service shall be in accordance with the priority system specified in part 64, Subpart D of the Rules and Regulations of the Federal Communications Commission.

2.8 Deposit

The Company does not require deposits.

2.9 Advance Payments

The Company does require advance payments.

2.10 <u>Payment and Billing</u>

2.10.1 Service is provided and billed on a billing cycle basis, beginning on the date that service becomes effective. Billing is payable upon receipt. Interest at the rate of 1.5% per billing cycle, or the amount otherwise authorized by law, whichever is lower, will accrue upon any unpaid amount commencing 30 days after rendition of bills.

2.10.2 The customer is responsible for payment of all charges for services furnished to the Customer, as well as to all persons using the Customer's codes, exchange lines, facilities, or equipment, with or without the knowledge or consent of the Customer. The security of the Customer's Authorization Codes, presubscribed exchange lines, and direct connect facilities is the responsibility of the Customer. All calls placed using direct connect facilities, presubscribed exchange lines, or Authorization Codes will be billed to and must be paid by the Customer. Recurring charges and non-recurring charges are billed in advance. Charges based on actual usage during a month and any accrued interest will be billed monthly in arrears.

2.10.3 All bills are presumed accurate, and shall be binding on the customer unless objection is received by the Company in writing within 30 days after such bills are rendered. No credits, refunds, or adjustments shall be granted if demand therefore is not received by the Company in writing within such 30 day period.

2.11 Collection Costs

In the event Company is required to initiate legal proceedings to collect any amounts due to Company for regulated or non-regulated services, equipment or facilities, or to enforce any judgment obtained against a Customer, or for the enforcement of any other provision of this tariff or applicable law, Customer shall, in addition to all amounts due, be liable to Company for all reasonable costs incurred by Company in such proceedings and enforcement actions, including reasonable attorneys' fees, collection agency fees or payments, and court costs. In any such proceeding, the amount of collection costs, including attorneys' fees, due to the Company, will be determined by the court.

2.12 Taxes

All federal, state and local taxes, assessments, surcharges, or fees, including sales taxes, use taxes, gross receipts taxes, and municipal utilities taxes, are billed as separate line items and are not included in the rates quoted herein, except as described for prepaid calling card service.

2.13 Late Charge

A late fee of 1.5% monthly or the amount otherwise authorized by law, whichever is lower, will be charged on any past due balances.

2.14 Returned Check Charge

A fee will be charged whenever a check or draft presented for payment for service is not accepted by the institution on which it is written.

2.15 Location of Service

The Company will provide service to Customers and their end users within the State of Florida.

SECTION 3 - DESCRIPTION OF SERVICE

3.1 Computation of Charges

3.1.1 The total charge for each completed call may be a variable measured charge dependent on the duration, distance and time of day of the call. The total charge for each completed call may also be dependent only on the duration of the call, i.e. a statewide flat rate per minute charge. The variable measured charge is specified as a rate per minute which is applied to each minute. 1+ Dialing and 800 Service calls are measured in six second increments with a thirty second minimum per call. Travel Cards and Prepaid Calling Cards are measured in one minute increments. All calls are rounded up to the next whole increment.

3.1.2 Usage charges for all mileage sensitive products are based on the airline distance between rate centers associated with the originating and terminating points of the call.The airline mileage between rate centers is determined by applying the formula below to the vertical and horizontal coordinates associated with the rate centers involved. The Company uses the rate centers that are produced by Bell Communications Research in the NPA-NXX V&H Coordinates Tape and Bell's NECA Tariff No. 4.

Formula:

$$\sqrt{\frac{(V1-V2)^2 + (H1-H2)^2}{10}}$$

Example: The rate distance between Miami and New York City:

	V	H
Miami	8,351	529
N.Y.	4,997	1,406
Difference	3,354	-879

$$\sqrt{\frac{(8351-4997)^2 + (529-14056^2}{10}}$$

Distance equals 1,097 miles

3.1.3 Timing begins when the called station is answered and two way communication is possible, as determined by standard industry methods generally in use for ascertaining answer, including hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. Recognition of answer supervision is the responsibility of the Underlying Carrier. Timing for each call ends when either party hangs up. TUI will not bill for uncompleted calls.

3.2 Customer Complaints and/or Billing Disputes

Customer inquiries or complaints regarding service or accounting may be made in writing or by telephone to the Company at:

4635 Southwest Freeway, Suite 800
Houston, Texas 77027
(800) 382-9756

Any objection to billed charges should be reported promptly to TUI. Adjustments to Customers' bills shall be made to the extent that records are available and/or circumstances exist which reasonably indicate that such charges are not in accordance with approved rates or that an adjustment may otherwise be appropriate. Where overbilling of a subscriber occurs, due either to Company or subscriber error, no liability exists which will require the Company to pay any interest, dividend or other compensation on the amount overbilled.

If a Customer accumulates more than Five Hundred Dollars ($500.00) of undisputed delinquent TUI 800 Service charges, the TUI Resp. Org. reserves the right not to honor that Customer's request for a Resp. Org. change until such undisputed charges are paid in full.

3.3 Level of Service

A Customer can expect end to end network availability of not less than 99% at all times for all services.

3.4 Billing Entity Conditions

When billing functions on behalf of TUI or its intermediary are performed by local exchange telephone companies or others, the payment of charge conditions and regulations of such companies and any regulations imposed upon these companies by regulatory bodies having jurisdiction apply. TUI's name and toll-free telephone number will appear on the Customer's bill.

3.5 **Service Offerings**

3.5.1 1+ Dialing

The customer utilizes "1+" dialing, or "10XXX" dialing followed by "1 + ten digits" for interLATA calls, or dials "10XXX" followed by "1 + 7 digits" or "1 + 10 digits" for intraLATA calls.

3.5.2 Travel Cards.

The Customer utilizes an 11 digit "800" access number established by TUI to access a terminal. Upon receiving a voice prompt, the Customer uses push button dialing to enter an identification code assigned by the Company, followed by the ten digit number of the called party.

3.5.3 800 Service (Toll free).

This service is a direct access, incoming only, usage sensitive WATS offering. This is a service whereby a Customer can be billed at reduced rates for calls to his premises.

3.5.4 TUI Prepaid Calling Cards.

This service permits use of TUI Prepaid Calling Cards for placing long distance calls. Customers may purchase TUI Prepaid Calling Cards at a variety of retail outlets or through other distribution channels. TUI Prepaid Calling Cards are available at a variety of face values ranging from five dollars ($5.00), in five dollar ($5) increments. TUI Prepaid Calling Card service is accessed using the TUI toll-free number printed on the card. The caller is prompted by an automated voice response system to enter his/her Authorization Code, and then to enter the terminating telephone number. TUI's processor tracks the call duration on a real time basis to determine the number of Telecom Units consumed. The total consumed Telecom Units for each call, which includes applicable taxes, is deducted from the remaining Telecom Unit balance on the Customer's TUI Prepaid Calling Card.

All calls must be charged against an TUI Prepaid Calling Card that has a sufficient Telecom Unit balance. A Customer's call will be interrupted with an announcement when the balance is about to be depleted. Such announcement will occur when five (5) minutes and when one minute remain before the balance will be depleted, based upon the terminating location of the call.

In order to continue the call, the Customer can either call the toll-free number on the back of the TUI Prepaid Calling Card and "recharge" the balance on the card using a nationally recognized credit card, or the Customer can throw the card away and purchase a new one. Calls in progress will be terminated by the Company if the balance on the TUI Prepaid Calling Card is insufficient to continue the call and the Customer fails to enter the number of another valid TUI Prepaid Calling Card prior to termination.

A card will expire 12 months from the date of purchase, or the date of the last recharge, whichever is later.

A credit allowance for TUI Prepaid Calling Card Service is applicable to calls that are interrupted due to poor transmission, one-way transmission, or involuntary disconnection of a call. A Customer may also be granted credit for reaching a wrong number. To receive the proper credit, the Customer must notify the Company at the designated toll-free customer service number printed on the TUI Prepaid Calling Card and furnish the called number, the trouble experienced (e.g. cut-off, noisy circuit, reached wrong number, etc.), and the approximate time that the call was placed.

When a call charged to an TUI Prepaid Calling Card is interrupted due to cut-off, one-way transmission, or poor transmission conditions, the Customer will receive a credit equivalent of one Telecom Unit.

Credit allowances for calls pursuant to TUI Prepaid Card Service do not apply for interruptions not reported promptly to the Company or interruptions that are due to the failure of power, equipment or systems not provided by the Company.

Credit for failure of service shall be allowed only when such failure is caused by or occurs due to causes within the control of the Company.

The Company will block all calls beginning with the NPA "900" and NXX "976" calls, therefore such calls can not be completed.

3.5.5 Local Calls and Directory Assistance.

Local calls will not be accepted or completed. TUI does not provide local directory assistance. Access to long distance directory assistance is obtained by dialing 1 + 555-1212 for listings within the originating area code and 1 + (area code) + 555-1212 for other listings. When more than one number is requested in a single call, a charge may apply for each number requested. A charge will be applicable for each number requested, whether or not the number is listed or published.

3.5.6 Specialized Pricing Arrangements.

Customized service packages and competitive pricing packages at negotiated rates may be furnished on a case-by-case basis in response to requests by Customers to the Company for proposals or for competitive bids. Service offered under this tariff provision will be provided to Customers pursuant to contract. Unless otherwise specified, the regulations for such arrangements are in addition to the applicable regulations and prices in other sections of the tariff. Specialized rates or charges will be made available to similarly situated Customers on a non-discriminatory basis.

3.5.7 Emergency Call Handling Procedures

Emergency "911" calls are not routed to company, but are completed through the local network at no charge.

3.5.8 Promotional Offerings

The Company may, from time to time, make promotional offerings to enhance the marketing of its services. These offerings may be limited to certain dates, times and locations. The Company will notify the Commission of such offerings as required by Commission rules and regulations.

SECTION 4 - RATES

4.1 1 + Dialing

TUI will charge a flat rate per minute with no time of day discounts and without regard to mileage for calls originating and terminating in Florida as follows:

$0.329 for InterLATA

$0.252 for IntraLATA

4.2 Travel Cards

TUI will charge a flat rate per minute with no time of day discounts and without regard to mileage for calls originating and terminating in Florida as follows:

$0.30

$0.60 surcharge per call

4.3 800 Service

TUI will charge a flat rate per minute with no time of day discounts and without regard to mileage for calls originating and terminating in Florida as follows:

$0.217

4.4 Prepaid Calling Cards

TUI Prepaid Calling Cards are available in various Telecom Unit denominations. Prepaid Calling Cards may be recharged in $1 increments (min. $5). Prices are inclusive of all taxes.

Price Per Telecom Unit

$.25

Cards will be decremented by one Telecom Unit for each minute or fractional part of a minute for intrastate calls. These rates apply twenty-four hours per day, seven days per week.

4.5 Rate Periods

Day: 8 a.m. - 5 p.m.*, Monday - Friday

Evening: 5 p.m. - 11 p.m.*, Sunday - Friday

Night/ Weekend: 11 p.m. - 8 a.m.*, Sunday - Friday & All Day Saturday

* To, but not including

When a message spans more than one rate period, total charges for the minutes in each rate period are calculated and the results for each rate period are totaled to obtain the total message charge. If the calculation results in a fractional charge, the amount will be rounded down to the lower cent.

4.6 Directory Assistance Charges

A charge per number requested will be $.75

4.7 Returned Check Charge

$25.00

4.8 <u>Rates Applicable for Hearing/Speech Impaired Persons</u>

For intrastate toll messages which are communicated using a telecommunications device for the deaf (TDD) by properly certified business establishments or individuals equipped with TDDs for communications with hearing or speech impaired persons, the rates shall be evening rates for daytime calls and night rates for evening and night calls.

Intrastate toll calls received from the relay service, each local exchange and interexchange telecommunications company billing relay call will be discounted by 50 percent of the applicable rate for a voice nonrelay call except that where either the calling or called party indicates that either party is both hearing and visually impaired, the call will be discounted 60 percent off the applicable rate for voice nonrelay calls.

Florida Public Service Commission Rules and Regulations require the Company to provide the first 50 directory assistance calls initiated per billing cycle by handicapped persons free of charge.

4.9 <u>Employee Concessions</u>

The Company does not offer employee concessions.

Lance J.M. Steinhart
Attorney At Law
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1100 Abernathy Road
Atlanta, Georgia 30328

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and Maryland

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DEPOSIT TREAS. REC D
D373 SEP 12 '96

September 9, 1996

VIA OVERNIGHT DELIVERY

Florida Public Service Commission
Division of Administration, Room G-50
101 East Gaines Streets
Tallahassee, Florida 32399-0850

Re: Telscape USA, Inc.

Dear Sir/Madam:

Enclosed please find one original and twelve (12) copies of Telscape USA, Inc.'s Application for Authority to Provide Interexchange Telecommunications Service Within the State of Florida, along with an original and twelve (12) copies of Telscape USA, Inc.'s proposed tariff.

Telscape USA, Inc. has sufficient financial capability to provide the requested service in the State of Florida and has sufficient financial capability to maintain the requested service and to meet its lease or ownership obligations. In support of Telscape, USA, Inc.'s stated financial capability, attached to its application is a copy of Telscape's parent company's financial statements for the year ended December 31, 1995. As a switchless reseller, Telscape USA, Inc. does not intend to make a capital investment to provide service in the State of Florida, however, Telscape USA, Inc. intends to fund the provision of service through internally generated cash [illegible]

FOR SECURITY PURPOSES, THE BORDER OF THIS DOCUMENT CONTAINS MICROPRINTING

ORION COMMUNICATIONS, INC.
OPERATING ACCOUNT
4635 SOUTHWEST FREEWAY, SUITE 800
HOUSTON, TX 77027
(713) 968-0900

SOUTHWEST BANK OF TEXAS
HOUSTON, TEXAS
35-1125/1130

1133

CHECK NO. 1133

PAY: TWO HUNDRED FIFTY DOLLARS

DATE 08/26/96

AMOUNT *******$250.00

TO THE ORDER OF Florida Public Service Commission

THE REVERSE SIDE OF THIS DOCUMENT INCLUDES AN ARTIFICIAL WATERMARK - HOLD AT AN ANGLE TO VIEW

[redacted]

Lance J.M. Steinhart
Attorney At Law
500 Northpark Town Center - Suite 1112
1100 Abernathy Road
Atlanta, Georgia 30328

DEPOSIT TREAS. REC

D373 SEP 12 '96

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I also have enclosed a check in the amount of $250.00 payable to the Florida Public Service Commission to cover the cost of filing these documents.

Check received with filing and
forwarded to Fiscal for deposit.
Fiscal to forward a copy of check
to RAR with proof of deposit.

Initials of person who forwarded check:
A.J.