

SWIDLER  
&  
BERLIN  
CHARTERED

September 16, 1996

VIA OVERNIGHT DELIVERY

Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, Florida 32399

961114-TX

96 SEP 17 AM 10:17  
MAIL ROOM  
RECEIVED  
DIVISION OF RECORDS  
AND REPORTING

Re: TotalTel USA Communications, Inc.

Dear Ms. Bayo:

Enclosed herewith is an original and six (6) copies of an Application Form for Authority to Provide Alternative Local Exchange Service Within the State of Florida to be filed on behalf of TotalTel USA Communications, Inc. d/b/a Total Tel, Inc. Also enclosed is a check in the amount of \$250.00 made payable to the "Florida Public Service Commission" to cover the filing fee. Also enclosed is a 3.5" diskette (high-density) containing the Application in WordPerfect format for the Windows 3.1 operating system.

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

If you have any questions concerning this filing, please do not hesitate to contact us.

Very truly yours,

Margaret M. Charles  
Karen M. Eisenhauer

Counsel for TotalTel USA Communications,  
Inc.

Enclosures

cc: Mark K. Follender  
Irina Georgiadis

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.G.

0985-96  
9/17/96

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

**APPLICATION FORM  
for**

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

---

**INSTRUCTIONS**

1. This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing alternative local exchange certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee.
2. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.
3. Use a separate sheet for each answer which will not fit the allotted space.
4. If you have questions about completing the form, contact:

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

5. Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of \$250 made payable to the Florida Public Service Commission at the above address.
-

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

**Original authority** (new company)

**Approval of transfer** (to another certificated company)

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

**Approval of assignment of existing certificate** (to a non-certificated company)

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

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

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

2. Name of applicant:

**TotalTel USA Communications, Inc. d/b/a TotalTel, Inc. ("TotalTel" or "Applicant").**

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

**TotalTel USA Communications, Inc.  
Overlook at Great Notch  
150 Clove Road, 8th Floor  
Little Falls, New Jersey 07424  
(201) 812-1100**

B. Florida mailing address including street name, number, post office box, city, state, zip code, and phone number. **TotalTel's address in Florida is:**

**TotalTel  
P.O. Box 19651  
Sarasota, Florida 34231.**

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

4. Structure of organization:

- |   |  |
|---|--|
| <input type="checkbox"/> Individual                     | <input type="checkbox"/> Corporation                 |
| <input checked="" type="checkbox"/> Foreign corporation | <input type="checkbox"/> Foreign Partnership         |
| <input type="checkbox"/> General Partnership            | <input type="checkbox"/> Limited Partnership         |
| <input type="checkbox"/> Joint Venture                  | <input type="checkbox"/> Other, Please explain _____ |

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

Corporate charter number(s): F93000000382

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

**TotalTel USA Communications, Inc. d/b/a TotalTel, Inc.**

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

Fictitious name registration number: Not Applicable

8. If applicant is an individual, partnership, or joint venture, please give name, title and address of each legal entity. **Not Applicable.**

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

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

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

**Ongoing Liaison: Mark K. Follender, General Counsel, TotalTel USA Communications, Inc., Overlook at Great Notch, 150 Clove Road, 8th Floor, Little Falls, New Jersey 07424 Tel: (201) 812-1100; Fax: (201) 812-8509.**

**Liaison for Application: Katherine A. Rolph, Esq. Swidler & Berlin, Chartered, 3000 K Street, Suite 300, Washington, D.C. 20007-5116 Tel: (202) 424-7500; Fax: (202) 424-7643**

11. Please list other states in which the applicant is currently providing or has applied to provide local exchange or alternative local exchange service.  
**See Exhibit 4.**

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

No.

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

No.

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

**TotalTel can be reached for customer complaints at 1 (800) 805-1000.**

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

A. Financial capability. See Exhibit 1.

Regarding the showing of financial capability, the following applies:

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

1. the balance sheet
2. income statement
3. statement of retained earnings for the most recent 3 years.

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

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

B. Managerial capability. See Exhibit 2.

C. Technical capability. See Exhibit 3.

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange service in the State of Florida. I have read the foregoing and declare that to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083".

Official:   
Signature

9/16/96  
Date

Title: President

Telephone Number  
201-812-1100

Address: TotalTel USA Communications, Inc.  
Overlook at Great Notch  
150 Clove Road, 8th Floor  
Little Falls, New Jersey 07424

**EXHIBITS**

- |           |                                   |
|-----------|-----------------------------------|
| EXHIBIT 1 | Financial Capability              |
| EXHIBIT 2 | Managerial Capability             |
| EXHIBIT 3 | Technical Capability              |
| EXHIBIT 4 | Supplemental Answers to Questions |

**EXHIBIT 1**

**Financial Capability**



-----BEGIN PRIVACY-ENHANCED MESSAGE-----

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ACCESSION NUMBER: 0000928816-96-000112

CONFORMED SUBMISSION TYPE: 10-K

PUBLIC DOCUMENT COUNT: 2

CONFORMED PERIOD OF REPORT: 19960131

FILED AS OF DATE: 19960430

SROS: NONE

FILER:

COMPANY DATA:

COMPANY CONFORMED NAME:

CENTRAL INDEX KEY:

STANDARD INDUSTRIAL CLASSIFICATION:

IRS NUMBER:

STATE OF INCORPORATION:

FISCAL YEAR END:

TOTAL TEL USA COMMUNICATIONS INC

0000034497

TELEPHONE COMMUNICATIONS (NO RADIO TELEPHONE

221656895

NJ

0131

FILING VALUES:

FORM TYPE: 10-K

SEC ACT: 1934 Act

SEC FILE NUMBER: 000-02180

FILM NUMBER: 96553278

BUSINESS ADDRESS:

STREET 1:

CITY:

STATE:

ZIP:

BUSINESS PHONE:

150 CLOVE RD

LITTLE FALLS

NJ

07424-049

2018121100

MAIL ADDRESS:

STREET 1:

CITY:

STATE:

ZIP:

150 CLOVE ROAD

LITTLE FALLS

NJ

07424-0449

FORMER COMPANY:

FORMER CONFORMED NAME: FARADYNE ELECTRONICS CORP

DATE OF NAME CHANGE: 19920223

</SEC-HEADER>

<DOCUMENT>

<TYPE>10-K

<SEQUENCE>1

<TEXT>

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
-----

FORM 10-K

(Mark one)

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended January 31, 1996

-----  
OR

-----  
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-2180

TOTAL-TEL USA COMMUNICATIONS, INC.

-----  
(Exact name of registrant as specified in its charter)

New Jersey

22-1656895

-----  
(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

150 Clove Road, Little Falls, NJ

07424

-----  
(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code: (201) 812-1100

Securities registered pursuant to Section 12 (b) of the Act:  
None

Securities registered pursuant to Section 12 (g) of the Act:  
Common Stock, \$.05 par value per share

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange  
Act of 1934 during the preceding 12 months (or for such shorter period  
that the registrant was required to file such reports), and (2) has been  
subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to  
Item 405 of Regulation S-K is not contained herein, and will not be  
contained, to the best of registrant's knowledge, in definitive proxy or  
information statements incorporated by reference in Part III of this  
Form 10-K or any amendment to this Form 10-K. [ ]

Aggregate market value (based upon a \$19.25 closing price) of the voting  
stock held by nonaffiliates of the Registrant as of April 22, 1996:  
\$19,160,603.

Number of shares of Common Stock outstanding on April 22, 1996:  
1,463,551.

DOCUMENTS INCORPORATED BY REFERENCE  
None

PART 1

ITEM 1. BUSINESS

Total-Tel USA Communications, Inc. ("TotalTel", the "Registrant"  
or the "Company"), a New Jersey corporation, was organized on June 8,  
1959, under the name of Faradyne Electronics Corp, and adopted its  
present name on November 4, 1991. The Registrant's principal executive  
office is located at 150 Clove Road, Little Falls, New Jersey 07424 and  
its telephone number is (201) 812-1100. The Registrant operates as a  
long distance telecommunications provider as more fully described  
herein.

## PRINCIPAL PRODUCTS AND SERVICES

### Telecommunications Services

In September, 1982, Registrant formed Total-Tel USA ("TotalTel"), as a division of its principal operating subsidiary, commenced offering interstate telephone communication services in January, 1983 and provided the foundation for what is now the Registrant's primary business. TotalTel operates as a resale Common Carrier providing 24 hour, 7 day a week, long distance telephone communication services to customers nationwide. The Registrant's principal market is Northern New Jersey and the New York Metropolitan area for direct transmission within the contiguous United States, and to over 300 countries around the world. The intercity circuits TotalTel utilizes to transmit its customers' telephone calls include, among other facilities, private lines leased from AT&T, LDDS World Com, Qwest and other usage sensitive services leased from other competing carriers.

TotalTel offers its services primarily through its networks consisting of a digital computerized switch in Newark, New Jersey and intercity circuits which provide access and identification, call routing, transmission and billing records. Subscribers are billed based on the distance and duration of each call completed. In July, 1987, TotalTel began offering its telecommunication services to commercial customers in Manhattan through Total-Tel USA, Incorporated, a wholly owned subsidiary of the Registrant. In August, 1992, TotalTel extended its telecommunications services to commercial customers in the Southeastern United States through Total-Tel Southeast, Inc., a wholly owned subsidiary of the Registrant.

TotalTel began offering its dedicated services and related high usage T1.544 services in late 1985. These services were designed to attract larger, more sophisticated business customers to the Registrant.

In April 1995, the Registrant formed TotalTel Carrier Services, Inc. for the purpose of providing long distance service to other common carriers in the telecommunications industry, on a wholesale basis.

TotalTel employs digital technology in its transmission lines. Digital facilities utilize more sophisticated engineering to yield enhanced voice quality as opposed to older analog technology. The capital expenditure necessary to increase transmission capability through digital technology is less than the comparable cost to expand on an analog basis. Additionally, most of TotalTel's calling volume is carried over fiber optic facilities leased from other carriers as described above and from Bell Atlantic, NYNEX, other Regional Bell Operating Companies, as well as other operating companies.

During the year ended January 31, 1996, ("Fiscal 1996"), as in the Fiscal 1995, a majority of the traffic was carried through various equal access services, also known as switch access, and are priced and offered based on the calling volume of the particular customer. The marketing focus is on customizing services for business customers in the niche market now served by Registrant.

TotalTel currently has approximately 12,000 active accounts of which approximately 95% are commercial and the balance are residential subscribers. Sales are made primarily through advertising, direct telephone solicitation, field sales contacts, agent sales and referrals from present customers.

In February, 1993, the Registrant, through its wholly owned subsidiary, TotalTel Services, Inc., commenced the sale and installation of Panasonic telephone systems primarily in the Northern New Jersey and New York Metropolitan area. Sales during Fiscal 1996 were not significant.

Net sales of telecommunications services and systems in Fiscal 1996 were \$49,873,477 as compared to \$29,816,632 in fiscal year 1995.

TotalTel had operating income of \$2,308,982 in Fiscal 1996 and operating income of \$1,553,236 in Fiscal 1995. The operating income represents the income before interest income, interest expense, other income, other expense, provision for income taxes and cumulative effect of change in accounting for income taxes. For further details, see MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS elsewhere in this Report.

The continued growth in revenues in Fiscal 1996 is largely attributable to the rapid expansion of the Registrant's agency network, aggressive internal sales and marketing efforts. In addition, the Registrant completed the installation of its upgraded DEX 600 switch at its new facility in Newark, New Jersey in the second quarter of the Fiscal 1995. The DEX 600 switch has increased transmission capabilities significantly and the new facility allows for substantial future expansion.

Due to TotalTel's strategic geographic location in the New York Metropolitan Area, the Company continues to foresee benefits from the availability of a large number of suppliers of transmission facilities located in New York which should provide potential for improved operating efficiency.

#### Competition

The most significant competitor in the telecommunications industry, A T & T, has indicated that it intends to compete vigorously with other common carriers (other independent telephone companies). In the past several years, A T & T has implemented several significant rate reductions for its long distance message services. These reductions have required other carriers, including TotalTel, to lower their rates.

In addition, TotalTel competes with terrestrial and satellite carriers such as MCI Communications Corporation ( "MCI" ), Sprint, LDOS World Com, Frontier and other large companies engaged in providing services in competition with those services offered by TotalTel. TotalTel also directly competes with local and regional companies which resell services, a number of which are substantially larger than TotalTel.

More recently, a number of court decisions and the Communications Reform Act passed by Congress in January 1996 have allowed local exchange carriers (LECSs) to compete in the long distance telecommunications market which should substantially increase competition in the future.

In the opinion of Registrant's management, TotalTel's principal methods of competition with A T & T and others have been and are expected to continue to be pricing, customized service, quality and the development of special billing and other niche services. TotalTel's long distance capability and its customer services should continue to make it competitive for most business users of A T & T, MCI and US Sprint services.

#### Seasonal Nature of Business

Registrant's business is not seasonal.

#### Patents, Trademarks, Licenses, etc.

Registrant does not hold any material patents, franchises or concessions and holds one license from Aerotel USA for the right to use calling card technology on which Aerotel USA holds a U S Patent. Royalty payments will be based on net revenues.

#### Government Regulations

In August, 1982, the Federal Communications Commission ( "FCC" ) substantially deregulated resale common carriers, such as the Registrant. The FCC no longer requires certification of such carriers to initiate business activities nor does it exercise its authority to regulate their rates and services, although it has the power to do so in the future. The FCC may act upon complaints against the Registrant or any

other common carrier for failure to comply with its statutory obligations as a common carrier. Registrant is duly tariffed with the FCC as a switched lease carrier.

In 1995 the FCC discontinued regulating the rates and services of A T & T, determining that A T & T is a non dominant carrier. This determination may affect the Registrant because it competes with A T & T, utilizes A T & T lines to transmit some of its long distance traffic and leases local access transmission facilities from local telephone companies which are FCC regulated. The FCC currently prohibits carriers such as A T & T from refusing to permit resale of their services.

Services in New York City are regulated by the New York State Public Service Commission, which requires the filing of a tariff, among other requirements. TotalTel has received approval of its tariff and continues to maintain its tariff in full force and effect. TotalTel Southeast, Inc. is regulated by Georgia Public Service Commission which requires the filing of a tariff. TotalTel Southeast, Inc. has received approval of its tariff and continues to maintain its tariff in full force and effect.

During Fiscal 1996, the Registrant was registered in 49 states, in respect to service within those states, and is thus subject to the regulatory requirements of the various Public Service Commissions or similar agencies of these states.

Beginning in April, 1988, TotalTel provided its domestic customers international phone service to numerous foreign countries. International services are regulated by the FCC which requires a license and the filing of a tariff. Total-Tel's license has been granted and its tariff has been approved.

#### Compliance with Environmental Provisions

Registrant believes that it complies in all material respects with current pertinent Federal, state, and local provisions relating to the protection of the environment and does not believe that continued compliance should require any material capital expenditures.

#### Personnel

Registrant and its subsidiaries currently employ 180 full-time employees in its long distance telecommunication service, of whom 35 are engaged in sales activities, 15 in customer support, 24 in customer service, 29 in technical and field services, 12 in data processing, and 65 in general and administrative activities. The Registrant considers its relations with its employees to be excellent.

#### Foreign Operations and Export Sales

Registrant has no significant foreign operations or export sales.

## ITEM 2. PROPERTIES

On November 15, 1993 and December 28, 1993 Total-Tel USA, Inc., a subsidiary of the Registrant, entered into leases to rent an aggregate of approximately 3,500 square feet of space at 744 Broad Street, Newark, New Jersey for its upgraded switching equipment. The leases run from January 1, 1994 through December 31, 1998 at an annual rental of \$51,480 and also require the tenant to pay proportionate share of any increases in the "Consumer Price Index", U. S. City Average, over the base year.

On December 1, 1993, Total-Tel USA, Inc. a subsidiary of the Registrant, entered into a five year lease to rent approximately 20,000 square feet of space from a partnership in which two of the partners are directors and major shareholders of the Company. The lease provides for annual rentals of \$58,560 for the first three years and \$63,885 for years four and five. This space is used for warehousing and office space for the technical support employees. The lease requires the payment of any increase in operating expenses and real estate taxes over the base year.

On February 22, 1994, Total-Tel USA Inc., a subsidiary of the Registrant, entered into a lease, subsequently modified on April 15, 1994, for approximately 17,700 square feet of space at 150 Clove Road, Little Falls, New Jersey to be used as its sales, executive and administrative offices. The lease provided for a rent holiday until July, 1995 after which the annual rental is approximately \$360,000. The lease is for five years and ten months and has been amended by a second lease modification agreement dated February 9, 1995 whereby the Registrant leased approximately 6,700 additional square feet of space at the same location at an additional annual rental of \$121,707 for the first four years and \$138,154 for the next year and two months. The modified agreement also extended the term of the existing lease for an additional two years to August 14, 2002 at a then annual rental of \$563,063. The lease requires the payment of the tenant's proportionate share of operating expenses and real estate tax increases over the base year.

All leases contain options to renew for various periods at rentals to be determined by the then prevailing fair market rate of real estate rents in the area.

### ITEM 3. PENDING LEGAL PROCEEDINGS

The Registrant brought suit in Civil Court of the City of New York, County of New York against a customer, Community Network Services, Inc. d/b/a Telecommunity, for the recovery of an account receivable of \$37,917 plus interest, attorneys fees and damages. Defendant has counter sued Registrant in the Supreme Court of the State of New York, County of New York alleging breach of contract and seeks compensatory and punitive damages of \$1,300,000. The Registrant believes the suit is entirely without merit and is vigorously defending this action.

In a second action Telecommunications Specialists, Inc., a former customer of the Registrant, brought suit in the United States District Court for the District of Minnesota alleging breach of contract and is seeking compensatory and punitive damages in excess of \$14,000,000. The Registrant believes that this suit is entirely without merit and is vigorously defending this action.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

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## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

(a) Registrant's Common Stock is traded in the over-the-counter market on the NASDAQ National Market System. The following table sets forth, for the quarterly fiscal periods indicated, the high and low closing sales prices for Registrant's Common Stock in such market, as reported by the National Association of Securities Dealers, Inc.

	HIGH	LOW
FISCAL 1996		
February 1 thru April 30	18 3/4	15 1/4
May 1 thru July 31	20	17
August 1 thru October 31	23	16 1/2
November 1 thru January 31, 1996	24 1/2	17
FISCAL 1995		
February 1 thru April 30	21 1/2	13 3/4
May 1 thru July 31	22	14 7/8
August 1 thru October 31	17 3/4	14 13/16

November 1 thru January 31, 1995

18 1/4

15 1/2

(b) As of April 22, 1996, the approximate number of recordholders of Registrant's Common Stock was 313, as reported by Registrant's transfer agent.

(c) Registrant has not paid or declared any cash dividends during the past two fiscal years and does not anticipate paying any in the foreseeable future.

(d) On July 15, 1994, the Registrant distributed 131,795 shares of Common Stock in connection with a 10% stock dividend on all shares outstanding as of June 30, 1994.

## ITEM 6: SELECTED FINANCIAL DATA

<TABLE>  
<CAPTION>

<S> Year ended January 31. RESULTS OF OPERATIONS:	(In thousands except per share amounts)				
	<C> 1996	<C> 1995	<C> 1994	<C> 1993	<C> 1992
Net sales	\$ 49,873	\$ 29,817	\$ 18,999	\$ 11,736	\$ 12,041
Earnings from continuing operations	\$ 1,555	\$ 1,100	\$ 1,052	\$ 9	\$ 309
Net earnings	\$ 1,555	\$ 1,100	\$ 1,156	\$ 9	\$ 322
Earnings Per Common and Common Equivalent Shares (b):					
Primary:					
Continuing Operations Before Cumulative Effect Of Accounting Change	\$ 0.95	\$ 0.68	\$ 0.67	\$ 0.01	\$ 0.17
Discontinued Operations Accounting Change	\$ --	\$ --	\$ 0.07	\$ --	\$ 0.01
Net earnings per share	\$ 0.95	\$ 0.68	\$ 0.74	\$ 0.01	\$ 0.18
Fully Diluted:					
Continuing Operations Before Cumulative Effect Of Accounting Change	\$ 0.95	\$ 0.68	\$ 0.64	\$ 0.01	\$ 0.17
Discontinued Operations Accounting Change	\$ --	\$ --	\$ 0.07	\$ --	\$ 0.01
Net earnings per share	\$ 0.95	\$ 0.68	\$ 0.71	\$ 0.01	\$ 0.18
Average common shares outstanding (a) (b)					
Primary	1,642	1,629	1,579	1,499	1,799
Fully Diluted	1,642	1,629	1,634	1,499	1,799
Cash dividends per common share	NONE	NONE	NONE	NONE	NONE
Additions to property & equipment	\$ 3,028	\$ 2,268	\$ 1,375	\$ 721	\$ 82
Depreciation and amortization	\$ 1,026	\$ 663	\$ 492	\$ 458	\$ 424
FINANCIAL POSITION:					
Working Capital	\$ 4,799	\$ 5,031	\$ 4,683	\$ 4,717	\$ 6,205

Property and equipment - net	\$ 6,011	\$ 3,924	\$ 2,236	\$ 1,272	\$ 920
Total assets	\$ 20,520	\$ 15,110	\$ 11,071	\$ 9,044	\$ 10,104
Long-term debt	\$ --	\$ --	\$ --	\$ --	\$ 58
Shareholders' Equity	\$ 10,700	\$ 9,093	\$ 7,917	\$ 6,860	\$ 8,067
Common shares outstanding (a) (b)	1,464	1,450	1,438	1,438	1,739

</TABLE>

(a) In February and July, 1992, the Registrant purchased 224,250 and 50,000 shares, respectively, of its Common Stock which were designated to treasury stock. In December, 1991, the Registrant purchased 65,442 shares of its Common Stock which were designated to treasury stock.

(b) All per share amounts have been restated to reflect the 10% Common Stock dividend distributed July 15, 1994.

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

##### Results of Operations

###### Fiscal 1996 as Compared to Fiscal 1995

The following discussion of the results of operations relates to the continuing operations of the Registrant, which is comprised of the long distance telephone service business.

Net sales for Fiscal 1996 increased approximately \$20,056,000 as compared to Fiscal 1995. The increase in telephone sales volume of approximately 67.3% was primarily due to intensive sales and marketing by the Registrant.

For Fiscal 1996, the Registrant billed approximately 365,878,000 minutes of calls as compared to approximately 204,631,000 minutes of calls in the prior fiscal year, resulting in an increase of approximately 161,247,000 minutes or 78.8% as compared to the prior fiscal year. This increase was unfavorable in relation to the 67.3% increase in sales volume for the period and was indicative of the lower cost per minute billed due to substantial competitive pressure.

The major component of cost of sales is leased facilities or line costs which is the purchased transmission capacity over which the Registrant routes its long distance traffic. Line costs for Fiscal 1996 were \$32,442,000 an increase of \$13,335,000 or 69.9% which was slightly unfavorable as compared to the increase in sales of approximately 67.3%. The other components are switch and technician salaries, utilities, rent and depreciation which totaled \$2,413,000 for Fiscal year 1996 an increase of \$666,000 or 38.1%. The increase in cost of sales was attributable to the increased sales of the Registrant. Gross margin increased slightly in Fiscal 1996 to 30.12% from 30.06% in Fiscal 1995.

Selling, general and administrative expenses increased approximately \$5,299,000 or 71.5% for fiscal year 1996 as compared to the prior fiscal year. The increase was primarily due to increased salaries expense of \$1,774,000 or 58.4%, increased commissions of \$1,432,000 or 75.1% and increased provision for bad debts of \$428,000 or 109.2%. The substantial increase in commissions and provision for bad debts is a reflection of the aggressive pursuit of new business in a highly competitive market.

The increase in interest income for the Fiscal 1996 was primarily due to increased interest rates.



#### Fiscal 1995 as Compared to Fiscal 1994

The following discussion of the results of operations relates to the continuing operations of the Registrant.

Net sales for Fiscal 1995 increased approximately \$10,817,000 as compared to Fiscal 1994. The increase in telephone sales volume of approximately 56.9% was primarily due to intensive sales and marketing by the Registrant, both internally and through expanded agency sales partially offset by lower prices.

For Fiscal 1995, the Registrant billed approximately 204,631,000 minutes of calls as compared to approximately 114,947,000 minutes of calls for the prior fiscal year, an increase of approximately 89,684,000 minutes or 78%.

Cost of sales for Fiscal 1995 increased approximately \$7,941,000 or 61.5% as compared to the prior fiscal year. This increase was unfavorable in relation to the 56.9% increase in sales volume for the period and is a reflection of the competitive pricing pressures in the industry.

Line costs for Fiscal 1995 were \$19,107,368, an increase of \$7,334,301 or 62.3% over the prior year. The other components are switch and field technician salaries, utilities, rent and depreciation which totaled \$1,745,272 for Fiscal 1995, an increase of \$663,316 or 61.3%. The increase in cost of sales was attributable primarily to the substantially increased sales of the Company. The higher proportionate cost of sales was attributable to lower selling price per minute, even though vendors continued to lower their prices to the Registrant. These factors caused a decrease in the gross margin of approximately 2% to approximately 30% for Fiscal 1995.

Selling, general and administrative expenses increased approximately \$2,767,000 or 60% for Fiscal 1995 as compared to the prior fiscal year. The increase was primarily due to increased salaries of \$928,691 or 48.7%, increased commissions of \$917,602 or 91.4% and an increased provision for bad debts of \$159,724 or 68.9%. The continued substantial increase in commission is attributable to the aggressive pursuit of new business in a highly competitive market.

Interest income for Fiscal 1995 decreased approximately \$31,000 as compared to Fiscal 1994 primarily due to a reductions in the funds available for investment.

#### Liquidity and Capital Resources

At January 31, 1996, the Registrant had working capital of \$4,799,334 as compared to \$5,031,400 at January 31, 1995, a decrease of \$232,066. The ratio of current assets to current liabilities at January 31, 1996 was 1.5:1 and at January 31, 1995 was 1.9:1. This slight decrease in working capital at January 31, 1996 was attributable primarily to an increase in cash and cash equivalents of \$1,829,513 and accounts receivable of \$2,802,284 (net of doubtful accounts) partially offset by the collection of notes receivable of \$538,345 and accrued interest receivable of \$80,074, a decrease in investments available for sale of \$956,489, an increase in accounts payable of \$2,483,618 and an increase in other current and accrued liabilities and salaries and wages payable of \$821,229.

The decrease in the current ratio from 1.9:1 to 1.5:1 is primarily due to the purchase of property and equipment during Fiscal Year 1996 in the amount of \$3,027,719. While the decrease in the current ratio may be considered material, the Registrant continues to maintain a strong liquid position with cash and cash equivalents and investments available for sale of \$4,144,073 representing 47.0% of current liabilities. The Registrant believes that its current cash position, projected operating revenue and bank line availability should be sufficient to meet its foreseeable operating needs and planned capital expenditures.

The cash flow statement of the Registrant for Fiscal 1996

indicated an increase in cash of \$1,829,513. Net earnings of \$1,554,589 and non cash adjustments of \$2,054,848 reduced by net changes in assets and liabilities of \$223,077 provided cash from operations of \$3,386,360. Cash used in investing activities totaled \$1,573,264. The major components were purchases of property and equipment of \$3,027,719 and additions to line installation cost of \$111,283, net maturities of available for sale securities of \$1,600,963, collection of notes receivable of \$628,792 and issuance of notes to shareholder net of repayment of \$2,500. Cash provided by investing activities totaled \$16,417 and was the result of the exercise of stock options.

#### Capital Expenditures

Capital expenditures during Fiscal 1996 totaled approximately \$3,028,000 and were financed from funds provided from Registrant's working capital and cash derived from operations. The capital expenditures were used to purchase the following equipment and leasehold improvements:

- \$1,672,000 - to upgrade and provide further enhancement to the signaling and switching system, to enhance the distance carriers and to increase switching capacity to allow for future growth.
- \$ 999,000 - primary data processing equipment and data processing software to be used in the headquarters' local area network and enhancement to the Registrant's billing and information systems.
- \$ 288,000 - furniture and fixtures for the general offices located in Little Falls, New Jersey and the switch facility in Newark, New Jersey.
- \$ 69,000 - for leasehold improvements primarily for the facility in Belleville, New Jersey.

Capital expenditures for Fiscal 1997 are estimated at approximately \$3,500,000 and are expected to be used for the following: To provide further enhancements to the signaling and switching system, to enhance the interconnection to the Bell Companies and other long distance carriers and to increase switching capacity to allow for growth; for office improvements, furniture and equipment in connection with the expansion of the main office and sales office operation; for new data processing equipment to complement and expand the present system of the Registrant; improvement to the new facility located in Belleville, New Jersey; continued development of the local area network for the new sales and administrative offices in Little Falls, New Jersey; for additional vehicles for service technicians.

The Registrant anticipates that capital expenditures for Fiscal 1997 will be funded from operations and current working capital and, possibly, long term borrowings for which no commitment currently exists.

As of January 31, 1996, the Registrant had a bank line of credit of \$500,000. During Fiscal 1996 Registrant had no bank borrowings.

#### Inflation

Since inflation has slowed in recent years, the Registrant does not believe that its business has been materially affected by the relatively modest rate of price increases in the economy. The Registrant continues to seek improvements in operations and efficiency through capital expenditures. The planned expenditures to improve the signaling system, information systems and the local area network is expected to result in future operating costs savings which could partially offset any cost increases which may occur in the future.

#### Environmental Matters

The Registrant is not a party to any legal proceedings or the subject of any claim regarding environmental matters generally incidental to its business. In the opinion of Management, compliance with the present environmental protection laws should not have a material adverse effect on the financial condition of the Registrant.

#### Accounting for Income Taxes

The Registrant adopted the Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ( "SFAS No.109" ), in the first quarter of Fiscal 1994. This implementation increased net earnings for Fiscal 1994 by \$104,000 or \$.07 per share.

#### Accounting for Certain Investments in Debt and Equity Securities

In May, 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ( "SFAS No. 115" ) which is effective for fiscal years beginning after December 15, 1993. The Registrant adopted SFAS No. 115 in the first quarter of Fiscal 1995, which adoption had no significant effect on the Registrant's financial position or results of operations.

#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Financial Statements and Supplementary Data are included under Item 14 of this Report.

#### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

### PART III

#### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The directors and officers of the Registrant are as follows:

Name	Age	Position
Marc Balmuth	48	Director
Solomon Feldman	75	Treasurer and Director
Warren H. Feldman	40	Chairman, Chief Executive Officer and Director
Thomas P. Gunning	58	Chief Financial Officer, Controller and Secretary
Jay J. Miller	63	Director
Jerold L. Zaro	44	Director

The Registrant's directors all serve for one year terms or until their successors are elected and qualify. Officers serve at the pleasure of the Board of Directors.

Mr. Marc Balmuth was elected as a Director of the Registrant, in May, 1993. Mr. Balmuth is currently the President of the Caldor discount department store chain and has held that position since early 1987. From 1985 to 1987, Mr. Balmuth was Executive Vice President of Venture discount chain of St. Louis, Missouri. Prior to joining Venture, Mr. Balmuth held various executive positions in the retail industry. Mr. Balmuth is the son-in-law of Manual Brucker, a former officer and director of the Registrant and a major shareholder of the Registrant.

Mr. Solomon Feldman has served as the Treasurer and as a Director of the Registrant continuously since its inception in 1959. Mr. Feldman is currently a private investor and devotes approximately 25% of his time to the business of the Company.

Warren H. Feldman, Esq. was elected President and Chief Executive Officer of the Registrant in September, 1992 and was elected Chairman of the Board in September, 1994. Prior to such time, he served as Vice President - Regulatory Affairs of Registrant since January, 1986, and had been the General Manager of Total-Tel USA Division and in-house General Counsel of Registrant since 1984. He was elected a Director on April 1, 1987 and President of Total-Tel USA Division on October 27, 1988. Warren H. Feldman is the son of Solomon Feldman.

Thomas P. Gunning was appointed Chief Financial Officer in

September, 1994 and Secretary of the Registrant in January, 1995. He has served as Controller of the Registrant since September 1992. He is a Certified Public Accountant licensed by the State of New York and New Jersey. From 1989 until joining the Registrant, Mr. Gunning was the Senior Audit Manager at Rosenberg Selsman & Company a certified public accounting firm. From 1976 to 1989, he was Chief Financial Officer of Flyfaire, Incorporated a travel wholesale operator. Prior to such time, Mr. Gunning held various positions in both public and private accounting.

Jay J. Miller, Esq. has been a practicing attorney for more than thirty years in the State of New York. Mr. Miller is a Director of Vestro Natural Foods, Inc., a specialty food firm, and Edison Control Corporation, a manufacturer of electronic fault indicators for the power utility industry. He also is a director of Gulf Resource Pacific Ltd., a New Zealand real estate company.

Jerold L. Zaro, Esq. was elected a Director of Registrant in August, 1991. Mr. Zaro joined the firm of Ansell, Zaro, Bennett and Grimm, a law firm engaged in the general practice of law in Eatontown, New Jersey in 1976 and has been its President since 1985. Mr. Zaro is Director of First Dewitt Bank, a New Jersey State chartered banking institution. Mr. Zaro is also a Commissioner of the New Jersey Highway Authority, which owns, operates and maintains the Garden State Parkway and the Garden State Arts Center.

#### SIGNIFICANT EMPLOYEE

Kevin A. Alward, President and Chief Operating Officer of TotalTel, the principal operating subsidiary of Registrant, joined Registrant in October, 1988, as a sales account executive. Mr. Alward became Manager of Sales in November, 1990 and Vice President of Marketing in 1991. In February, 1992, Mr. Alward was promoted to Senior Vice President and assumed the additional responsibilities of Chief Operating Officer in April, 1993. In 1994, Mr. Alward was promoted to President of TotalTel, Inc., the principal operating subsidiary of the Registrant.

#### ITEM 11. EXECUTIVE COMPENSATION

a) The following table sets forth the compensation which the Registrant paid during the fiscal years ended January 31, 1996, 1995, 1994 to the Chief Executive, each Executive Officer of the Registrant and the President of its principal operating subsidiary whose aggregate remuneration exceeded \$100,000.

<TABLE>  
<CAPTION>

Name and Principal Position <S>	Fiscal Year Ended January 31 <C>	Summary Compensation Table			Compensation Awards Options (#) <C>
		Annual Compensation Salary (\$) <C>	Bonus(s) <C>	Other Annual Compensation(\$)	
Warren H. Feldman President and Chief Executive Officer	1996	\$195,000 (1)	\$274,241		
	1995	\$195,103 (1)	\$ 74,153		15,000 (2)
	1994	\$149,651 (1)	\$ 63,746		19,250 (3)
Kevin Alward President of TotalTel, Inc.	1996	\$195,000	\$274,241		
	1995	\$195,000	\$ 63,700		31,500 (7)(8)

(1) Does not include an annual Director's fee of \$15,000.

(2) Represents incentive options to purchase 15,000 shares of Common Stock exercisable at a price of \$19.25 per share (110% of the

market price at the date of issue). These options vest over a period of forty-eight (48) months, with 25% of each option exercisable at the 12th, 24th, 36th, and 48th month of its term, subject to earlier vesting in certain circumstances as provided in the option agreement.

(3) Represents incentive options to purchase 19,250 shares of Common Stock exercisable at a price of \$5.40 per share adjusted for the 10% stock dividend issued July 15, 1994. These options vest over a period of thirty-six (36) months, with 25% of each option exercisable at the 6th, 12th, 24th, and 36th month of its term, subject to earlier vesting in certain circumstances as provided in the option agreement.

(4) The amounts shown represent the Registrant's contribution under its 401 (K) Deferred Compensation and Retirement Savings Plan of \$2,310 and \$2,357 for the use of a company vehicle for non business purposes.

(5) The amount shown represents the Registrant's contribution under its 401 (K) Deferred Compensation and Retirement Savings Plan of \$2,226 and \$2,357 for the use of a company vehicle for non business purposes.

(6) The amounts shown represents the Registrant's contribution under its 401 (K) Deferred Compensation and Retirement Savings Plan of \$1,810 and \$2,357 for the use of a company vehicle for non business purposes.

(7) Represents incentive options to purchase 16,500 shares of Common Stock exercisable at a price of \$14.55 per share, adjusted for the 10% stock dividend issued in July 1994. These options vest over a period of thirty-six (36) months with 25% of each option exercisable at the 8th, 12th, 24th, and 36th month of its term, subject to earlier vesting in certain circumstances as provided in the option agreement.

(8) Represents incentive options to purchase 15,000 shares of Common Stock exercisable at a price of \$17.50 per share. These options vest over a period of forty-eight (48) months with 25% of each option exercisable at the 12th, 24th, 36th, and 48th month of its term, subject to earlier vesting in certain circumstances as provided in the option agreement.

(9) The amounts shown represent the Registrant's contribution under its 401 (K) Deferred Compensation and Retirement Savings Plan of \$2,310 and \$2,643 for the use of a company vehicle for non business purposes and \$1,057 term life insurance premiums.

(10) The amount shown represents the Registrant's contribution under its 401 (K) Deferred Compensation and Retirement Savings Plan of \$1,556 and \$2,643 for the use of a company vehicle for non business purposes and \$1,057 term life insurance premiums.

(b) Compensation Pursuant to Plans  
1987 Stock Option Plan

In October, 1987, the Registrant adopted its 1987 Stock Option Plan (the "Plan"). The Plan provides that certain options granted thereunder are intended to qualify as "incentive stock options" within the meaning of Section 422A of the United States Internal Revenue Code of 1954, as amended (the "Code"), while non-qualified options may also be granted under the Plan. Incentive stock options may be granted only to employees of the Registrant, while non-qualified options may be granted to non-executive directors, consultants and others as well as to employees.

The Plan is administered by a Committee of the Registrant's Board of Directors. The Registrant has reserved 332,450 shares of Common Stock for issuance to employees, officers, directors and consultants of the Company. The shares for options granted prior to July 15, 1994 have been adjusted for the 10% stock dividend.

No option may be transferred by an optionee other than by will or the laws of descent and distribution, and during the lifetime of an optionee, an option may be exercised only by him. In the event of termination of employment other than by death or disability, the optionee will have one month (subject to extension not to exceed an additional two months) after such termination during which he may exercise his option. Upon termination of employment of an optionee by reason of death or permanent total disability, his option remains exercisable for one year thereafter to the extent it was exercisable on the date of such termination. No similar limitation applies to non-qualified options.

Options under the Plan must be granted within ten years from the effective date of the Plan. Incentive stock options granted under the Plan cannot be exercised later than ten years from the date of grant. Options granted under the Plan will permit payment of the exercise price in cash or by delivery to the Registrant of shares of Common Stock already owned by the optionee having a fair market value equal to the exercise price of the options being exercised, or by a combination of such methods of payment. Therefore, an optionee may be able to tender shares of Common Stock to purchase additional shares of Common Stock and may theoretically exercise all of his stock options with no additional investment other than his original shares.

Any options that expire unexercised or that terminate upon an employee's ceasing to be employed by the Registrant become available once again for issuance under the Plan.

OPTIONS GRANTS IN LAST FISCAL YEAR  
NONE

- (C) Other Compensation  
None.
- (d) Compensation of Directors  
Each director of the Registrant receives \$15,000 per year for services in such capacity.
- (e) Termination of Employment and Change of Control Arrangements  
None.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Security Ownership of Certain Beneficial Owners

Set forth below is certain information concerning persons who are known by Registrant to own beneficially more than 5% of any class of the Registrant's voting shares on April 22, 1996.

<TABLE>  
<CAPTION>  
<S>

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percentage of Class
Common Stock \$.05 par value	Manuel Brucker 150 Clove Road Little Falls, NJ 07424	129,983 shares	7.7 %
Common Stock \$.05 par value	Solomon Feldman 1890 South Ocean Drive Hallandale, FL 33009	239,095 shares	14.2 %
Common Stock \$.05 par value	Warren H. Feldman 150 Clove Road Little Falls, NJ 07424	290,100 (2) shares	17.2 %
Common	Michael A. Karp	109,670	6.5 %

Stock \$.05 par value	3416 Sansom Street Philadelphia, PA 19104	shares	
Common Stock \$.05 par value	Heartland Advisors, Inc. 790 North Milwaukee St. Milwaukee, WI 53202	256,500 shares	15.2%
Common Stock \$.05 par value </TABLE>	Kevin Alward 150 Clove Road Little Falls, NJ 07424	141,750 (3) shares	8.4 %

(1) All shares are beneficially owned and sole investment and voting power is held by the persons named to the best of the Registrant's knowledge.

(2) Includes options to purchase 100,000 shares of the Registrant's Common Stock which are currently exercisable or within 60 days hereof.

(3) Included options to purchase 125,000 shares of the Registrant's Common Stock which are currently exercisable or within 60 days hereof.

(b) Security Ownership of Management

The following table sets forth as of April 22, 1996 information concerning the beneficial ownership of each class of equity securities by each director of the Registrant and all directors and officers of the Registrant as a group:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percentage of Class
Common Stock \$.05 par value	Solomon Feldman 1890 South Ocean Drive Hallandale, FL 33009	239,095 shares	14.1%
Common Stock \$.05 par value	Warren H. Feldman 150 Clove Road Little Falls, NJ 07424	290,100(2) shares	17.1%
Common Stock \$.05 value	Jay J. Miller	---	---
Common Stock \$.05 value	Jerold L. Zaro	11,000 shares	.6%
Common Stock \$.05 value	Kevin Alward	141,750(3) shares	8.3%
Common Stock \$.05 par value	All directors and officers as a group (6 in number)	693,195(2)(3) shares	40.8%

(1) All shares are beneficially owned and sole investment and voting power is held by the persons named.

(2) Includes options to purchase 100,000 shares of the Registrant's Common Stock which are currently exercisable or within 60 days hereof.

(3) Includes options to purchase 125,000 shares of the Registrant's Common Stock which are currently exercisable or within 60 days hereof.

(c) Changes in Control

The Registrant knows of no contractual arrangement which may, at a subsequent date, result in a change in control of the Registrant.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On December 1, 1993, the Company leased warehouse space in Belleville, New Jersey from a partnership in which two directors and major shareholders are a partner and a former director and a major shareholder is also a partner. During the fiscal year ended January 31, 1996, the Company paid rent of \$59,760 to the partnership. The annual rent for this premise is \$58,560 for the first three years and \$63,885 for years four and five.

As explained more fully in Note K to the Financial Statements the Registrant has from time to time made loans to an executive employee and shareholder of the Registrant.

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TOTALTEL USA COMMUNICATIONS, INC.  
AND SUBSIDIARIES

ITEM 14. EXHIBITS AND FINANCIAL STATEMENTS SCHEDULE  
YEARS ENDED JANUARY 31, 1996, 1995, AND 1994

INDEX

(a) (1) FINANCIAL STATEMENTS: The following consolidated financial statements of Total-Tel USA Communications, Inc. and subsidiaries are included at the end of this Report:

CONSOLIDATED FINANCIAL STATEMENTS:

PAGE

Independent auditors' report	F-1
Consolidated balance sheets - January 31, 1996 and 1995	F-2
Consolidated statements of earnings - years ended January 31, 1996, 1995 and 1994	F-3
Consolidated statements of shareholder's equity - years ended January 31, 1996, 1995, 1994	F-4
Consolidated statements of cash flow - years ended January 31, 1996, 1995, 1994	F-5
Notes to consolidated financial statements	F-7

(a) (2) SUPPLEMENTARY DATA FURNISHED PURSUANT TO THE REQUIREMENTS OF FORM 10-K:

Schedule - years ended January 31, 1996, 1995 and 1994.

II Valuation and Qualifying Accounts (Consolidated)	F-13
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Schedules other than those listed above are omitted because they are not required, not applicable or the information has been otherwise supplied.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 22nd day of April, 1996.

TOTAL-TEL USA COMMUNICATIONS, INC.  
(Registrant)

By: /S/ Warren H. Feldman  
-----  
Warren H. Feldman

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature -----	Title -----	Date ----
/S/ Marc Balmuth ----- Marc Balmuth	Director	April 22, 1996
/S/ Solomon Feldman ----- Solomon Feldman	Treasurer and Director	April 22, 1996
/S/ Warren H. Feldman ----- Warren H. Feldman	Chairman of the Board, Chief Executive Officer and Director	April 22, 1996
/S/ Thomas P. Gunning ----- Thomas P. Gunning	Chief Financial Officer Secretary, Controller and Principal Accounting Officer	April 22, 1996
/S/ Jay J. Miller ----- Jay J. Miller	Director	April 22, 1996
/S/ Jerold L. Zaro ----- Jerold L. Zaro	Director	April 22, 1996

<TABLE>  
<CAPTION>

Exhibit No. -----	Description of Document -----
<S>      <C> (3) (a)	Certificate of Incorporation, as amended. Incorporated by reference to Exhibits 2-A, 2-B, 2-C and 2-D to Registration Statement No. 2-15546 and Registrant's proxy statement relating to its 1987 Annual Stockholder's Meeting.

- (3) (b) By-Laws of Registrant. Incorporated by reference to Exhibit A to Registrant's Annual Report on Form 10-K for the year ended January 31, 1972.
- (3) (c) Amended Certificate of Incorporation to change the name of the Corporation from Faradyne Electronics Corp. to Total-Tel USA Communications, Inc., dated November 4, 1991. Incorporated by reference to Exhibit 3 (c) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1992.
- (10)(a) Lease of premises at 140 Little Street, Belleville, New Jersey, between Mansol Realty Company and Mansol Ceramics Company, dated March 30, 1960. Incorporated by reference to Exhibit 13 (e) to Registration Statement No. 2-17546.
- (10)(a) (1) Assignment of lease from Mansol Realty Company to Mansol Realty Associates. Incorporated by reference to Exhibit 10 (a) (1) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1982.
- (10)(b) Extension Agreement re: Lease of premises at 140 Little Street dated October 31, 1974. Incorporated by reference to Exhibit 10 (b) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1981.
- (10)(c) Lease of premises at 471 Cortland Street, Belleville, New Jersey, between Birnfield Associates and Mansol Ceramics Company, dated October 31, 1974. Incorporated by reference to Exhibit 10 (c) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1981.
- (10)(d) Lease Modification Agreement re: Lease of premises at 471 Cortland Street dated July 24, 1980. Incorporated by reference to Exhibit 10 (d) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1981.
- (10)(e) (i) Term Loan Agreement and Term Note both dated April 22, 1983 between Mansol Ceramics Company and United Jersey Bank in the principal amount of \$1,192,320. Incorporated by reference to Exhibit 10 (e) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1983.
- (10)(e) (ii) Installment Note and Equipment Loan and Security Agreement of Mansol Ceramics Company and Guaranty of Registrant, dated August 1, 1988, in connection with extension of the maturity date of the loan referenced to in Exhibit 10 (e) (i).
- (10)(f) Lease of premises at 17-25 Academy Street, Newark, New Jersey between Mansol Ceramics Company and Rachlin & Co., dated April 29, 1983. Incorporated by reference to Exhibit 10 (f) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1984.
- (10)(g) Lease Modification Agreement re: Lease of Premises at 471 Cortland Street dated July 24, 1985. Incorporated by reference to Exhibit 10 (g) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1986.
- (10)(h) Master Lease Agreement between Mansol Ceramics Company and Fidelcor Services, Inc. dated December 30, 1985. Incorporated by reference to Exhibit 10 (h) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1986.

## Exhibit No.

## Description of Document

- (10)(i) Deed, Mortgage and Mortgage Note between William and Fred Schneper as Grantees and Borrowers and Mansol Ceramics Company as Grantor and Lender, dated July 26, 1985 re: property located in Hanover Township, New Jersey. Incorporated by reference 10 (i) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1986.
- (10)(j) Lease of premises at 140 Little Street, Belleville, New Jersey, between Mansol Realty Association and Mansol Ceramics Company, dated July 31, 1986. Incorporated by reference to Exhibit 10 (j) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1987.
- (10)(k) 1987 Stock Option Plan. Incorporated by reference to Registrant's proxy statement relating to its 1987 Annual Stockholders' Meeting.
- (10)(k)(1) Amendment to the 1987 Stock Option Plan. Incorporated by reference to Registrant's Form S-8 dated November 13, 1995.
- (10)(l) Renewal of Lease and Extension to additional space at 17-25 Academy Street, Newark, New Jersey (a/k/a 1212 Raymond Boulevard, Newark, New Jersey) between Mansol Ceramics Company and Rachlin & Co. Incorporated by reference to Exhibit 10 (l) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1988. (See also Exhibit 10 (f)).
- (10)(m) Agreement, dated June 13, 1989, between Mansol Ceramics Company and Bar-lo Carbon Products, Inc. providing for the sale of Ceramics' Carbon fixtures division. Incorporated by reference to Exhibit 10 (m) to Registrant's Annual Report on Form 10-k for the year ended January 31, 1990.
- (10)(n) Modification of Note and Mortgage from William Schneper, Fred Schneper and Leon Schneper (Mortgagor) to Mansol Ceramics Company (Mortgagee) dated August 1, 1990, extending the term of the Note and Mortgage and modifying the interest provision.
- (10)(o) Asset Purchase Agreement between Registrant, Mansol Ceramics Company and Mansol Industries Inc. dated May 22, 1990, including Subordinated Term Promissory Note and Security Agreement, covering sale of assets and business of Manufacturing Division of Mansol Ceramics Company. Incorporated by reference to Exhibits 1, 2 and 3 to Registrant's Current Report on Form 8-K dated May 22, 1990.
- (10)(p) Modification of Loan between Mansol Industries, Inc. (borrower) and Mansol Ceramics Company (Lender) dated January 31, 1992, allowing for the deferral of the principal for twelve months through and including the period ending June 22, 1992 in consideration for personal guarantees from Borrower. Incorporated by reference to Exhibit 10 (p) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1992.
- (10)(q) Lease of premises at 470 Colfax Avenue, Clifton, New Jersey, between Total-Tel USA Communications, Inc. and Broadway Financial Investment Services, Inc. dated March 25, 1991. Incorporated by reference to Exhibit 10 (q) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1992.
- (10)(r) Lease of premises at 744 Broad Street, Newark, New Jersey between Total-Tel USA Inc. and Investment Property Services, Inc. dated November 15, 1993. Incorporated by reference

to Exhibit 10 (r) to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1994.

- (10)(s) Lease of premises at 744 Broad Street, Newark, New Jersey between Total-Tel USA, Inc. and Investment Property Services, Inc. dated December 28, 1993. Incorporated by reference to Exhibit 10 (s) to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1994.

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Exhibit No.	Description of Document
(10)(t)	Lease of premises at 471 Cortland Street, Belleville, New Jersey, between Total-Tel USA Inc. and Birnfield Associates - Belleville dated December 1, 1993. Incorporated by reference to Exhibit 10 (t) to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1994.
(10)(u)	Lease of premises at 150 Clove Road, Little Falls, New Jersey, between Total-Tel USA Inc. and the Prudential Insurance Company of America dated February 22, 1994. Incorporated by reference to Exhibit 10 (u) to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1994.
(10)(v)	Lease modification to the lease of the premises at 150 Clove Road, Little Falls, New Jersey between TotalTel, Inc. and The Prudential Company of America dated May 18, 1994. Incorporated by reference to Exhibit 10 (v) to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1995.
(10)(w)	Second lease modification to the lease of the premises at 150 Clove Road, Little Falls, New Jersey between TotalTel, Inc. and Theta Holding Company, L. P., successor to the Prudential Insurance Company of America dated February 9, 1995. Incorporated by reference to Exhibit 10 (w) to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1995.
(21)	Subsidiaries of Registrant. Incorporated by reference to Exhibit 22 to Registrant's Annual Report on Form 10-K for the year ended January 31, 1994.

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</TABLE>

#### INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders  
Total-Tel USA Communications, Inc.  
Little Falls, New Jersey

We have audited the accompanying consolidated balance sheets of Total-Tel USA Communications, Inc. and subsidiaries as of January 31, 1996 and 1995, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended January 31, 1996. Our audits also included the financial statement schedule listed in the index at item 14(a)(2). These financial statements and financial statement schedule are the responsibility of

the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Total-Tel USA Communications, Inc. and subsidiaries as of January 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 1996 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects the information set forth therein.

As discussed in Note B to the financial statements, effective February 1, 1994, the Company changed its method of accounting for marketable securities in accordance with Statement of Financial Accounting Standards No. 115 and, effective February 1, 1993, the Company changed its method of accounting for income taxes in accordance with Statement of Financial Accounting Standards No. 109.

Deloitte & Touche LLP  
New York, NY

April 19, 1996

<TABLE>  
<CAPTION>  
TOTAL-TEL USA COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
JANUARY 31, 1996 AND 1995

	1996
ASSETS	
CURRENT ASSETS:	
<S>	<C>
Cash and cash equivalents	\$ 3,177,138
Investments available for sale	966,935
Trade accounts receivable (net of allowance for doubtful accounts of \$831,538 and \$492,235 in 1996 and 1995, respectively)	8,741,918
Notes receivable	27,000
Deferred income taxes	314,600
Prepaid expenses and other current assets	392,974
	-----
Total current assets	13,620,565
	-----
PROPERTY AND EQUIPMENT, NET	6,011,005
OTHER ASSETS:	
Notes receivable	90,281
Deferred line installation costs (net of accumulated amortization of \$796,170 and \$710,921 in 1996 and 1995, respectively)	247,019

Other assets	426,164
Total other assets	763,464
	<u>\$20,395,034</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 6,604,459
Other current and accrued liabilities	1,775,256
Salaries and wages payable	441,516
Total current liabilities	8,821,231

OTHER LONG-TERM LIABILITIES

313,742

DEFERRED INCOME TAXES

560,481

COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY:

Common stock, par value \$.05 per share; authorized 5,000,000 shares, issued 1,868,806 and 1,864,806 shares in 1996 and 1995, respectively	93,440
Additional paid-in capital	3,600,105
Retained earnings	8,590,329
	<u>12,283,874</u>

Treasury stock - at cost - 405,255 and 415,055 shares in 1996 and 1995, respectively	(1,547,251)
Receivable from shareholder	(100,000)
Unrealized gain on available for sale securities	62,957
Total shareholders' equity	<u>10,699,580</u>
	<u>\$20,395,034</u>

See notes to consolidated financial statements.  
</TABLE>

<TABLE>  
<CAPTION>

TOTAL-TEL USA COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS  
YEARS ENDED JANUARY 31, 1996, 1995 and 1994

	1996	1995
<S> NET SALES	<C> \$49,873,477	<C> \$29,816.6
COSTS AND EXPENSES:		
Cost of sales	34,854,000	20,852.6
Selling, general and administrative	12,710,495	7,410.7
Total costs and expenses	47,564,495	28,263.3
OPERATING INCOME	2,308,982	1,553.2
OTHER INCOME (EXPENSE):		
Interest income	166,170	146.4
Gain on sale of real estate		48.5
Other income	36,091	50.3
Interest expense	(3,854)	(3.1)
Total other income	198,407	242.2
EARNINGS BEFORE INCOME TAXES AND		

CUMULATIVE EFFECT OF ACCOUNTING CHANGE	2,507,389	1,795.5
INCOME TAX PROVISION	952,800	695.9
EARNINGS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	1,554,589	1,099.5
CUMULATIVE EFFECT OF ACCOUNTING CHANGE	--	--
NET EARNINGS	<u>\$ 1,554,589</u>	<u>\$ 1,099.5</u>
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE:		
Primary:		
Earnings before cumulative effect of change in accounting principle	\$ .95	\$ .68
Cumulative effect of change in accounting for income taxes	-	-
Net earnings per common and common equivalent share	<u>\$ .95</u>	<u>\$ .68</u>
Fully diluted:		
Earnings before cumulative effect of change in accounting principle	\$ .95	\$ .68
Cumulative effect of change in accounting for income taxes	-	-
Net earnings per common and common equivalent share	<u>\$ .95</u>	<u>\$ .68</u>

See notes to consolidated financial statements.  
</TABLE>

<TABLE>  
<CAPTION>  
TOTAL-TEL USA COMMUNICATIONS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock	Additional Paid-In Capital	Retained Earnings
<S> BALANCE AT JANUARY 31, 1993	<C> \$86,088	<C> \$1,371,632	<C> \$6.
Receivable from shareholder			
Net earnings			1.
BALANCE AT JANUARY 31, 1994	86,088	1,371,632	8.
Unrealized gain on available for sale securities at February 1, 1995			
Unrealized loss on available for sale securities			
Exercise of employee stock options	562	48,715	
Common stock dividend	6,590	2,200,977	(2.
Net earnings			1.
BALANCE AT JANUARY 31, 1995	93,240	3,621,324	7.
Unrealized gain on available for sale			

securities			
Exercise of employee stock option	200	15.727	
Issuance of employee stock grants		(36.946)	
Net earnings			1.
BALANCE AT JANUARY 31, 1996	<u>\$93,440</u>	<u>\$3,600.105</u>	<u>\$8.</u>

<CAPTION>

	Receivable From Shareholder	Unrealized Gain (Loss) Available for Sale Securities	
<S> BALANCE AT JANUARY 31, 1993	<C> \$ --	<C> \$ --	<C> \$6.
Receivable from shareholder	(100.000)		(
Net earnings			1.
BALANCE AT JANUARY 31, 1994	<u>(100.000)</u>	<u>-----</u>	<u>7.</u>
Unrealized gain on available for sale securities at February 1, 1995		70.211	
Unrealized loss on available for sale securities		(43.034)	
Exercise of employee stock options			
Common stock dividend			
Net earnings			1.
BALANCE AT JANUARY 31, 1995	<u>(100.000)</u>	<u>27.177</u>	<u>9.</u>
Unrealized gain on available for sale securities		35.780	
Exercise of employee stock option			
Issuance of employee stock grants			
Net earnings			1.
BALANCE AT JANUARY 31, 1996	<u>\$ (100,000)</u>	<u>\$62,957</u>	<u>\$10</u>

</TABLE>

<TABLE>

<CAPTION>

TOTAL-TEL USA COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JANUARY 31, 1996, 1995 AND 1994

<S>	<C> 1996	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$1,554,589	\$1
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,026.102	



Provision for doubtful accounts	820,131	
Noncash compensation expense	68,815	
Cumulative effect of accounting change	--	
Gain on sale of real estate	--	
Deferred income taxes	139,800	
Change in assets and liabilities:		
(Increase) decrease in assets:		
Trade accounts receivable	(3,622,415)	(3)
Prepaid expenses and other current assets	27,335	
Other assets	(53,499)	
Increase (decrease) in liabilities:		
Accounts payable	2,483,618	1
Other current and accrued liabilities and salaries and wages payable	738,956	
Other long-term liabilities	202,928	
	-----	--
Net cash provided by operating activities	3,386,360	1
	-----	--
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Collections on notes receivable	628,792	
Proceeds from sales and maturities of short-term investments	1,600,963	1
Purchase of investments available for sale	(581,517)	(1)
Purchase of short-term investments	--	
Purchases of property and equipment	(3,027,719)	(2)
Payments for deferred line installation costs	(111,283)	
Issuance of notes to shareholder	(115,000)	
Collection on notes receivable from shareholder	32,500	
Purchase of officer's life insurance contract	--	
	-----	--
Net cash used in investing activities	(1,573,264)	(1)
	-----	--
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Stock options exercised	15,927	
Repayment of long-term debt	--	
Employee stock grants	490	
	-----	--
Net cash provided by (used in) financing activities	16,417	
	-----	--
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$1,829,513</b>	
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,347,625</b>	<b>1</b>
	-----	--
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$3,177,138</b>	<b>\$1</b>
	-----	--
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for:		
Interest	\$3,854	\$
Income taxes	\$ 560,000	\$
<b>NONCASH ITEMS:</b>		
Unrealized gain on available for sale securities	\$ 35,780	\$
Fair market value of stock dividend, 131,795 shares granted at \$16.75 per share	\$ --	\$2

See notes to consolidated financial statements.  
</TABLE>

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

##### A. NATURE OF OPERATIONS

Total-Tel USA Communications, Inc. ("Total-Tel") with its wholly-owned subsidiaries Total-Tel, Inc., Total-Tel USA, Inc., Total-Tel Southeast Inc., Total-Tel Carrier Services, Inc. and Total-Tel Services (collectively, the "Company") operates as a switch based resale common carrier providing twenty-four hour, seven day a week, domestic and international long distance telecommunications service to customers throughout the United States. The Company's principal customers are primarily businesses and more recently other common carriers.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Principles of Consolidation** - The consolidated financial statements include the accounts of Total-Tel USA Communications, Inc. and its subsidiaries, all of which are wholly-owned. All intercompany transactions and balances have been eliminated in the consolidated financial statements.

**Property and Equipment** - Property and equipment are stated at cost. Depreciation and amortization is being provided by use of the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the shorter of the term of the lease or the useful lives of the asset.

The estimated useful lives of the principal classes of assets are as follows:

Classification	Years
Machinery and equipment	5 - 10
Office furniture, fixtures and equipment	7 - 10
Vehicles	3 - 5
Leasehold improvements	2 - 10
Computer equipment and software	5 - 7

**Deferred Line Installation Costs** - The Company defers charges from other common carriers which cover the cost of installing telephone transmission facilities (lines). Amortization of these costs is provided using the straight-line method over the estimated life (five years) of the lines.

**Investments** - The Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," (SFAS 115) effective February 1, 1994. This Statement supersedes SFAS 12 "Accounting for Certain Marketable Securities," previously utilized by the Company. The Company has classified its marketable securities as available-for-sale securities.

**Income Taxes** - Effective February 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). This statement supercedes Accounting Principles Board Opinion No. 11, "Accounting for Income Taxes," previously utilized by the Company to determine its provision for income taxes. The cumulative effect of adopting SFAS No. 109 on the Company's financial statements was to increase income by \$104,000 for the year ended January 31, 1994.

The Company and its subsidiaries file a consolidated federal income tax return.

**Use of Estimates** - The Company's financial statements include the use of estimates and assumptions which have been developed by management based on available facts and information. Actual results could differ from those estimates.

**Concentrations of Credit Risk** - The Company sells its telecommunications services and products to customers operating primarily in the north eastern region of the United States. The Company performs ongoing credit evaluations of its customers as it generally does not require

collateral. Allowances are maintained for potential credit losses and such losses have been within management's expectations.

Earnings per Common and Common Equivalent Share - Earnings per share were computed by dividing the net earnings by the weighted average number of shares outstanding during each year. The weighted average number of shares includes the number of outstanding common shares plus the assumed exercise of the outstanding common stock options using the treasury stock method.

Cash and Cash Equivalents - The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash on hand, demand deposits and money market accounts.

C. INVESTMENT SECURITIES

Investments available for sale consist of:

<TABLE>  
<CAPTION>  
1996

	1996			1995		
	Cost	Gross Unrealized Gain	Loss	Market Value	Cost	Gross Unr Gain
Municipal bonds and notes	\$582,063	\$ -	\$ 6,296	\$575,767	\$1,602,866	\$ -
Mutual funds	272,794	742	-	273,536	267,760	-
Common stock	7,121	110,511	-	117,632	7,121	60,430
	<u>\$861,978</u>	<u>\$111,253</u>	<u>\$ 6,296</u>	<u>\$966,935</u>	<u>\$1,877,747</u>	<u>\$ 60,430</u>

</TABLE>

Maturity dates of municipal bonds and notes as of January 31, 1996 are as follows:

Maturing Within	Cost	Market Value
1 year	\$479,974	\$473,078
After 1 year through 5 years	102,089	102,689
	<u>\$582,063</u>	<u>\$575,767</u>

D. PROPERTY AND EQUIPMENT

Property and equipment consists of:

	1996	1995
Machinery and equipment	\$ 7,814,911	\$6,162,010
Office furniture, fixtures and equipment	1,070,249	782,382
Leasehold improvements	343,004	237,754
Vehicles	147,698	128,618
Computer equipment and software	1,704,239	705,548
Leasehold improvements in progress	--	36,070
	<u>11,080,101</u>	<u>8,052,382</u>
Less accumulated depreciation and amortization	<u>5,069,096</u>	<u>4,128,243</u>
	<u>\$ 6,011,005</u>	<u>\$3,924,139</u>

Depreciation and amortization expense related to property and equipment for the years ended January 31, 1996, 1995 and 1994 was \$940,853, \$580,414 and \$411,377, respectively.

E. SALE OF REAL ESTATE HELD FOR INVESTMENT

In July 1985, the Company sold approximately 13 acres of land to two unrelated individuals for \$580,000. Payment was received in cash of \$120,000 and a \$460,000 first purchase money note and mortgage, payable in four annual installments of \$50,000 each commencing August 1, 1986 and the final payment of \$260,000 due August 1, 1990.

On August 1, 1990, the Company entered into a Second Modification of the first purchase money note and mortgage which extended the term of the note and mortgage from August 1, 1990 to August 1, 1994 and adjusted the annual interest rate to equal the prime rate plus 1% with the maximum interest rate not to exceed 12% per annum. The prime interest rate at January 31, 1994 was 6%. In accordance with the Second Modification, the mortgagee made a principal payment of \$50,000 on August 1, 1990 and the existing principal balance of \$210,000 was payable in three annual installments of \$50,000 which commenced August 1, 1991 and a final payment of \$60,000 which was received on August 1, 1994.

For the fiscal year ended January 31, 1995, the Company recognized a gain of \$48,570. The Company used the installment method to report the gain on the sale, which amounted to \$469,519. For the fiscal year ended January 31, 1994, the Company recognized a gain of \$40,476 related to this real estate sale.

#### F. INCOME TAXES

The provision for income taxes includes the following:

	1996	1995	1994
Federal:			
Current	\$663,000	\$518,000	\$563,000
Deferred	95,400	(13,000)	(62,000)
State income taxes:			
Current	150,000	124,982	152,000
Deferred	44,400	66,000	(19,000)
	<u>\$952,800</u>	<u>\$695,982</u>	<u>\$634,000</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The income tax effects of significant items comprising the Company's net deferred tax liability are as follows:

<TABLE>  
<CAPTION>

	1996		1995	
	Current	Long-term	Current	Long-term
<S>	<C>	<C>	<C>	<C>
Deferred tax assets:				
Allowance for doubtful accounts	\$217,600	\$ --	\$198,000	\$ --
Accrued compensation expense	97,000	--	65,000	--
Unamortized lease incentive	--	125,100	--	44,000
Total deferred tax assets	<u>314,600</u>	<u>125,100</u>	<u>263,000</u>	<u>44,000</u>
Deferred tax liabilities:				
Difference between book and tax basis of property and equipment	--	(643,581)	--	(371,08)
Unrealized gains on securities available for sale	--	(42,000)	--	(18,50)
Total deferred tax liabilities	<u>--</u>	<u>(685,581)</u>	<u>--</u>	<u>(389,58)</u>
Net deferred tax asset (liability)	<u>\$314,600</u>	<u>\$(560,481)</u>	<u>\$263,000</u>	<u>\$(345,58)</u>

</TABLE>

A reconciliation from the U.S. statutory tax rate of 34% to the effective tax rate for income taxes on the consolidated statements of earnings is as follows:

<TABLE>  
<CAPTION>

	1996	1995	1994
<S>	<C>	<C>	<C>
Computed expense at statutory rates	\$852,500	\$610,000	\$573,400
(Reductions) increase in taxes resulting from:			
Tax-exempt interest income	(23,200)	(21,900)	(34,300)
State taxes, net of federal income tax benefit	128,300	126,000	100,300
Other	(4,800)	(18,118)	(5,400)
	-----	-----	-----
Actual expense	\$952,800	\$695,982	\$634,000

</TABLE>

#### G. LEASE COMMITMENTS

The Company rents various facilities under lease agreements classified as operating leases. One of the underlying agreements contains certain incentives eliminating payments at the inception of the lease. Lease incentives are amortized on a straight-line basis over the entire lease term.

Under terms of these leases, the Company is required to pay its proportionate share of increases in real estate taxes, operating expenses and other related costs.

On December 1, 1993, the Company leased warehouse space in Belleville, New Jersey from a partnership in which two of the partners are directors and major shareholders. During the fiscal years ended January 31, 1996 and 1995, the Company paid rent of \$59,760 and \$49,101, respectively to the partnership. The annual rent for this premise is \$58,560 for the first three years and \$63,885 for years four and five and is included in the table of minimum rentals shown below.

Future minimum annual rentals on these leases as of January 31, 1996 are as follows:

Year Ending  
January 31,

1997	\$ 595,988
1998	600,425
1999	585,488
2000	486,431
2001 and thereafter	1,316,437
	-----
	<u>\$3,584,769</u>

On February 9, 1995, the Company entered into a modification of its lease for additional office space at its existing facility in Little Falls, New Jersey. This agreement extends the original lease to August 14, 2002. The annual rental on the additional space will be \$121,707 annually for months 7-49 and \$138,154 thereafter. In addition, the Company is liable for its proportionate share of the increases in real estate taxes and operating expenses over the base year.

Rental expense for the years ended January 31, 1996, 1995 and 1994 was approximately \$517,660, \$310,550 and \$150,250, respectively.

#### H. EMPLOYEE BENEFIT PLANS

The Company has established a savings incentive plan for substantially all employees of the Company which is qualified under section 401(k) of the Internal Revenue Code. The savings plan provides for contributions

to an independent trustee by both the Company and its participating employees. Under the plan, employees may contribute up to 15% of their pretax base pay and the Company had made matching contributions equal to 25% of the first 6% of participant contributions. On January 1, 1996, the Company increased its matching contribution to 50% of the first 5% of participant contributions. Participants vest immediately in their own contributions and over a period of six years for the Company's contributions. Company contributions were approximately \$41,000, \$25,000 and \$16,000 for the years ended January 31, 1996, 1995 and 1994, respectively.

#### I. STOCK OPTION PLAN

The Company has a stock option plan authorizing the granting of either "Incentive Stock Options" or "Non-Qualified Stock Options" to acquire an aggregate of not more than 332,450 shares of the Company's Common Stock reserved for issuance under the Plan.

Incentive Stock Options granted pursuant to the Plan must have an exercise price equal to the fair market value of the Company's Common Stock at the time the option is granted, except that the price shall be at least 110 percent of the fair market value where the option is granted to an employee who owns more than 10 percent of the combined voting power of all classes of the Company's voting stock. Non-Qualified Stock Options granted pursuant to the Plan must have an exercise price equal to at least 50 percent of the fair market value of the Company's Common Stock at the time the option is granted. Incentive Stock Options may be granted only to employees. Non-Qualified Stock Options may be granted to employees as well as directors, independent contractors and agents, as determined by the Board of Directors. All options available to be granted under the Plan must be granted by September 1, 1997.

Outstanding options under the plan are as follows:

Number	Option	of Shares	Price
Outstanding	February 1, 1993	211,750	\$2.05 - 3.98
Granted		63,250	\$4.50 - 5.45
Exercised		--	--
Canceled		(24,750)	\$2.05 - 5.45
		-----	
Outstanding	January 31, 1994	250,250	\$2.05 - 5.45
Granted		91,950	\$12.00 - 19.25
Exercised		(12,375)	\$ 3.98
Canceled		(12,375)	\$2.05 - 3.98
		-----	
Outstanding	January 31, 1995	317,450	\$2.05 - 19.25
Granted		16,500	\$15.98 - \$17.25
Exercised		(4,000)	\$ 3.98
Canceled		(8,500)	\$ 17.50
		-----	
Outstanding	January 31, 1996	321,450	\$2.05 - 19.25
		-----	
Exercisable	January 31, 1996	311,650	\$2.05 - 19.25
		-----	
Available for grant -	January 31, 1996	11,000	
		-----	

Compensation expense related to the non-qualified stock options was \$68,815, \$49,602 and \$61,546 for the years ended January 31, 1996, 1995 and 1994, respectively.

#### J. NOTES RECEIVABLE

On May 22, 1990, the Company sold the net assets of its Mansol Ceramics

Company's manufacturing division (effective May 17, 1990) to a newly organized company Mansol Industries, Inc. for approximately \$1,418,000 in cash and a promissory note of approximately \$877,000.

The promissory note which was payable over a period of five years, was subordinated up to \$1,250,000 of the buyer's institutional indebtedness and was secured by a second lien on the buyer's assets. The principal payments on the note were payable in forty-eight (48) equal monthly installments of \$7,537 from May 22, 1991 and, thereafter, every month to May 22, 1995 at which time the unpaid principal balance and accrued interest was due and payable. The note bore interest at an annual rate equal to 1% below the prime commercial rate of the Chemical Bank of New Jersey, N.A., but in no event to exceed 12% at any time. The unpaid principal balance and accrued interest was paid on May 8, 1995.

K. NOTES RECEIVABLE FROM SHAREHOLDER

On May 27, 1993, the Company made a \$25,000 non-interest bearing, unsecured loan to an executive employee and shareholder of the Company. The note, originally due October 1, 1993, was extended to December 31, 1995.

On November 1, 1993, the Company made a \$100,000 unsecured loan to the same employee for the purchase of Company common stock. This note which is shown as a reduction in shareholders' equity bears interest at the prime rate published in the Wall Street Journal. Interest payments are due monthly and the principal balance which was originally due on April 1, 1995 was extended to December 31, 1996.

On March 1, 1995, the Company made a \$55,000 unsecured loan to the same employee. This note is due on demand, and bears interest at the prime rate published in the Wall Street Journal. Interest payments are due monthly, beginning on April 1, 1995. At January 31, 1996, \$32,500 of this note has been repaid.

On September 1995, the Company made a \$60,000 unsecured loan to the same employee. The note was due on demand with interest at 9% per annum.

On January 31, 1996, the notes dated May 27, 1993, March 1, 1995 and September 1, 1995 together with any unpaid interest were combined into one note with a principal balance of \$117,281. The note bears interest at 8% per annum and is payable in semimonthly installments commencing February 7, 1996 for seven and one half years.

L. CONTINGENCIES

The Company is a defendant in two lawsuits filed by two of its customers for alleged breach of contracts. The first suit seeks compensatory and punitive damages in excess of \$14,000,000. The second suit seeks compensatory and punitive damages of \$1,300,000. The Company believes that both these suits are completely without merit and intends to vigorously defend them.

\*\*\*\*\*

<TABLE>  
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TOTAL-TEL USA COMMUNICATIONS, INC. AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS  
(CONSOLIDATED)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Cost and Expenses	Charged to Other Accounts-Describe	Deductible

YEAR ENDED JANUARY 31,  
1996:

<S>	<C>	<C>	<C>	<C>
Reserves and allowances deducted from asset accounts: Allowance for uncollectible accounts	\$ 492,235	\$ 820,131	\$ --	\$ 480.

YEAR ENDED JANUARY 31,  
1995:

Reserves and allowances deducted from asset accounts: Allowance for uncollectible accounts	\$294,009	\$391,656	\$ --	\$193.
---	-----------	-----------	-------	--------

YEAR ENDED JANUARY 31,  
1994:

Reserves and allowances deducted from asset accounts: Allowance for uncollectible accounts	\$150,349	\$231,932	\$ --	\$ 88,272
---	-----------	-----------	-------	-----------

(1) Uncollectible accounts written-off, net of recoveries.  
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<SEQUENCE>2

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EXHIBIT 27 FINANCIAL DATA SCHEDULE

<ARTICLE> 5

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TOTAL-TEL USA COMMUNICATIONS, INC.

Exhibit 27 - FINANCIAL DATA SCHEDULE

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION  
EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AS OF  
JANUARY 31, 1996 AND THE CONSOLIDATED STATEMENT OF  
OPERATIONS FOR THE FISCAL YEAR ENDED JANUARY 31, 1996  
AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.  
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<PERIOD-TYPE>

<FISCAL-YEAR-END>

<PERIOD-END>

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6-MOS

DEC-31-1995

JUN-30-1995

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11,080,101

5,069,096

20,395,034

8,821,231



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**EXHIBIT 2**

**Managerial Capability**

## MANAGEMENT EXPERIENCE

### **Warren H. Feldman, Esq., President and Chief Executive Officer**

Mr. Feldman joined TotalTel and served as the General Manager and in - house General Counsel in 1984. Mr. Feldman then served as the Vice - President - Regulatory Affairs beginning in 1986, and was elected as Director of TotalTel on April 1, 1987. Mr. Feldman was elected President of TotalTel on October 27, 1987. In September of 1992, Mr. Feldman was elected President and Chief Executive Officer of TotalTel. He graduated from the Wharton School, University of Pennsylvania with a B.S. in Economics, Cum Laude in 1977, and graduated from George Washington University with a J.D. with honors in 1980.

### **Kevin Alward, Chief Operating Officer**

Mr. Alward has been employed by TotalTel since 1988. Mr. Alward was a major account sales executive from October of 1988 through November of 1990. He became a Branch Manager of Dales in November of 1990, and then served as the Vice President of Marketing from November of 1991 through February of 1992. From February of 1992, Mr. Alward served as Senior Vice - President of TotalTel, and his duties included overseeing sales, marketing and operations. Mr. Alward has designed and implemented a complete, fully automated computerized billing system. This system enables information to be used on - line for customer service and billing purposes. He is also responsible for setting rates for transmission of calls and for developing routing procedures for origination and termination of calls on the network, and is responsible for network configuration. Since April of 1993, Mr. Alward has served as the Chief Operating Officer of TotalTel. Mr. Alward received a B.S. in Computer Science from Alfred University.

### **Thomas P. Gunning, Secretary & Chief Financial Officer**

Mr. Gunning has served as the Controller of TotalTel since September of 1992. From 1989 through 1992, Mr. Gunning was the Senior Audit Manager at Rosenberg, Selsman & Company, Certified Public Accounting Firm. From 1976 through 1989 Mr. Gunning was the Chief Financial Officer of Flyfaire Incorporated. Prior to that time, Mr. Gunning held various positions in both the public and private accounting sector. Mr. Gunning is Certified Public Accountant who has licenses in the States of New York and New Jersey.

**EXHIBIT 3**

**Technical Capability**

As is indicated by the Commission's approval of TotalTel's interexchange application, TotalTel is technically and managerially qualified to provide local exchange resale services within Florida. Applicant has been providing telecommunications services for over 13 years and has the financing and capital necessary to conduct its telecommunications operations as specified in this Application. More particularly, TotalTel has been a long distance service provider in Florida since April 1993. See Order No. PSC-93-0420. TotalTel will rely upon its existing financial, personnel and technological resources for planning, marketing, network and legal/regulatory assistance in providing local exchange services in the State. Accordingly, no additional investment will be needed to offer the proposed services. In addition, TotalTel is authorized to provide resold long distance telecommunications services on an intrastate basis in every state except Alaska, pursuant to certification, registration, or (where appropriate) on a deregulated basis. The successful provision of telecommunications services in Florida and throughout the country is proof in the first instance of TotalTel's technical qualifications.

**EXHIBIT 4**

**Supplemental Answers to Questions**

**Question 11:**

TotalTel is authorized to provide resold interexchange service in all of the states except Alaska, pursuant to certification, registration, or (where applicable) deregulation policies. TotalTel is currently in the process of applying for authority to provide local exchange resale services in the following states: Maryland, Massachusetts, New York, New Jersey, Pennsylvania, Connecticut, and Georgia.

September 16, 1996

961114-TX

**VIA OVERNIGHT DELIVERY**

Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, Florida 32399

DEPOSIT TREAS. REC

D375

SEP 17 96

96 SEP 17 11:10:17

Re: TotalTel USA Communications, Inc.

Dear Ms. Bayo:

Enclosed herewith is an original and six (6) copies of an Application Form for Authority to Provide Alternative Local Exchange Service Within the State of Florida to be filed on behalf of TotalTel USA Communications, Inc. d/b/a Total Tel, Inc. Also enclosed is a check in the amount of \$250.00 made payable to the "Florida Public Service Commission" to cover the filing fee. Also enclosed is a 3.5" diskette (high-density) containing the Application in WordPerfect format for the Windows 3.1 operating system.

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

If you have any questions concerning this filing, please do not hesitate to contact us.

Very truly yours,

Margaret M. Charles  
Karen M. Eisenhauer

SWIDLER & BERLIN  
CHARTERED

3000 K STREET, N.W., SUITE 300  
WASHINGTON, D.C. 20007

CRESTAR BANK N.A.  
WASHINGTON, D.C.

15-52/540

0047058

047058

\*EXACTLY\*\*\*\*\*250\*DOLLARS AND\*00\*CENTS

DATE

AMOUNT

09/13/96

\*\*\*\*\*250.00  
GENERAL ACCOUNT

FLORIDA PUBLIC SERVICE COMMISS

PAY  
TO THE  
ORDER  
OF

DOCUMENT NUMBER-DATE

09875 SEP 17 96



September 16, 1996

VIA OVERNIGHT DELIVERY

Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, Florida 32399

DEPOSIT TREAS. REC

D375

SEP 17 '96

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Very truly yours,

Margaret M. Charles  
Karen M. Eisenhauer

Counsel for TotalTel USA Communications,  
Inc.

Enclosures

cc: Mark K. Follender  
Irin Georgiadis

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:  
49

149519 10