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**Writer's Direct Dial Number
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November 15, 1996

VIA FEDERAL EXPRESS

961376 - TI

Executive Secretary
Florida Public Service Commission
2450 Schumard Oak Boulevard
Tallahassee, Florida 32399-0850

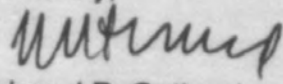
Re: Joint Application of Network Long Distance, Inc.
and United Wats, Inc. for Approval of a
Share Exchange Agreement

Dear Sir:

On behalf Network Long Distance, Inc. and United Wats, Inc., enclosed please find an original and thirteen (13) copies of the referenced Application. Also enclosed is a check in the amount of \$250.00 to cover the filing fee.

Please date stamp and return the enclosed extra copy of this letter in the envelope provided.

Please call me should you have any questions concerning this filing. Thank you for your assistance with this matter.

Sincerely,

Edward P. Gothard

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FLORIDA PUBLIC
SERVICE COMMISSION
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Initials of person who forwarded check:
A.G.

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FPSC-RECORDS/REPORTING

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF FLORIDA

JOINT APPLICATION OF
NETWORK LONG DISTANCE, INC.
AND UNITED WATS, INC.
FOR APPROVAL OF A
SHARE EXCHANGE AGREEMENT

CASE NUMBER 961376-

APPLICATION

Network Long Distance, Inc. ("Network"), and United Wats, Inc. ("UWI"), pursuant to the applicable Statutes of Florida and the Commission's Rules and Regulations currently in effect and/or subsequently enacted, hereby request Commission approval of a Share Exchange Agreement (the "Agreement").

As will be described in more detail below, Network and UWI propose to enter into a Share Exchange Agreement whereby UWI will become a wholly owned subsidiary of Network, and the present UWI shareholders will receive a designated number of shares of Network common stock in exchange.¹ Commission approval of the proposed Agreement may result in cost savings because of discounts on quantity ordering of materials and services and will streamline the level of service for all involved customers. At the same time, approval of the proposed Agreement will not in any way be detrimental to the public interests of the State of Florida because the customers of both Network and UWI will continue to receive the same high quality service presently rendered to them and no party to the proposed Agreement will be given undue advantage over any other party.

In support of this Application, Applicants show the following:

¹ A draft copy of the proposed Share Exchange Agreement is attached as Exhibit "A".

I. THE PARTIES

1. Network Long Distance, Inc. is a publicly held Delaware corporation with principal offices located at 525 Florida Street, Baton Rouge, Louisiana 70801. Network is a non-dominant carrier that resells domestic and international long distance service purchased from various facilities based carriers pursuant to the FCC's *Competitive Carrier* policies.

2. Network is authorized by the FCC to offer domestic interstate and international services in all fifty (50) states and the District of Columbia as a non-dominant carrier. Network currently originates interstate traffic in forty nine (49) states, and provides intrastate service, pursuant to certification, registration or tariff requirements, or on an unregulated basis, in forty nine (49) states. Network is a certificated carrier in the State of Florida.²

3. United Wats, Inc. is a privately held Kansas corporation with principal offices located at 7000 Squibb, Suite 310, Mission, Kansas 66202. UWI is a non-dominant carrier that resells domestic and international long distance service purchased from various facilities based carriers pursuant to the FCC's *Competitive Carrier* policies.

4. UWI is authorized by the FCC to offer domestic interstate and international services in all fifty (50) states and the District of Columbia as a non-dominant carrier. UWI currently originates interstate traffic in forty eight (48) states, and provides intrastate service, pursuant to certification, registration or tariff requirements, or on an unregulated basis, in forty eight (48) states. UWI is a certificated carrier in the State of Florida.³

² In Florida, Network provides intrastate telecommunications services pursuant to Certificate of Public Convenience and Necessity bearing Certificate Number 3178 issued in matter entitled "Application form for Authority to Provide Interexchange Telecommunications Service Within the State of Florida," Docket Number 930249-T1; Order Number PSC-93-0857-FOF-T1, effective date June 30, 1993.

³ In Florida, UWI provides intrastate telecommunications services pursuant to Certificate of Public Convenience and Necessity issued in matter entitled "Application for Authority to Provide Interexchange

II. DESIGNATED CONTACT

5. The designated contact for questions concerning this Application is:

Edward P. Gothard, Esquire
(Of Counsel) Nowalsky & Bronston
3500 North Causeway Boulevard
Suite 1442
Metairie, Louisiana 70002
(504) 836-7423
(504) 832-1984

6. Copies of such correspondence should be sent to:

Mike Ross, President
Network Long Distance, Inc.
525 Florida Street
Baton Rouge, Louisiana 70801
(504) 343-3125

and

Tim Barton, President
United Wats, Inc.
7000 Squibb, Suite 310
Mission, Kansas 66202
(913) 262-3730

III. THE SHARE EXCHANGE AGREEMENT

7. In the past several years, Network has acquired the assets and/or merged with several companies that provide intrastate telecommunication services pursuant to Certificates of Public Convenience and Necessity in various states. In this instance, Network proposes to continue to operate the acquired entity as an independent, but wholly owned, subsidiary. By virtue of these transactions, Network will realize significant economic, marketing and administrative efficiencies.

Telecommunications Service in Florida," Docket Number 740919-TI; Order Number PSC-94-1483-FOF-TI, effective date December 1, 1994.

8. As a company providing intrastate telecommunications service directly in forty nine (49) states, with annual operating revenues of approximately thirty two million (\$32,000,000) dollars, Network is well-qualified to consummate the transaction which is the subject of this Application. Current financial information for Network is attached hereto as Exhibit "B".⁴

9. UWI, which provides intrastate telecommunications service directly in forty eight states, has annual operating revenues of approximately eighteen million (\$18,000,000) dollars. Current financial information for UWI is attached hereto as Exhibit "C".⁵

10. Applicants propose a share exchange transaction as follows:

- (a) Network shall issue, sell and deliver to UWI shareholders that number of shares of common stock which will have a market value equal to the purchase price; the procedure to precisely calculate the number of shares is specifically set forth in Exhibit "A".⁶
- (b) UWI shall sell and deliver to Network all of the issued and outstanding shares of the common stock of UWI;
- (c) UWI will become, by virtue of the stock transfer, a wholly owned subsidiary of Network; and
- (d) UWI shall continue to operate as a regulated entity pursuant to its present certifications, registrations, tariff requirements and rate structures, or on an unregulated basis, as provided by and pursuant to applicable law.

⁴ Exhibit "B" is the most recent Form 10-K submitted to the SEC by Network for the period ended March 31, 1995.

⁵ Exhibit "C" consists of copies of UWI's Balance Sheet, Income Statement and Statement of Cash Flow, all dated September 30, 1996.

⁶ Note that the exact financial figures have been redacted from Exhibit "A". Should this Commission desire to review the financial terms of the proposed transaction, such materials will be provided to this Commission for *in camera* inspection.

11. The technical, managerial and financial personnel of Network and UWI will remain the same after the transaction, and will continue to serve their respective customers with their present high level of expertise.

IV. PUBLIC INTEREST CONSIDERATIONS

12. Critical to the proposed Agreement is the need to ensure the continuation of high quality service to all customers currently served by both Network and UWI. The proposed transaction will serve the public interest for the following reasons:

- (a) It will enable the companies to operate with a more streamlined and efficient level of service for all involved customers by creating a larger parent operation. The transaction will enhance the operating efficiencies, including market efficiencies, of both Applicants.
- (b) Additionally, it will result in cost savings because of discounts on quantity ordering of materials and services.
- (c) Accordingly, the proposed Agreement will serve to create a heightened level of operating efficiency which generally will serve to enhance the overall capacity of Applicants to compete in the marketplace and to provide telecommunications services for a greater number of Florida customers at competitive rates.

13. The proposed transaction will be beneficial for the shareholders of Network, as the share exchange agreement will add UWI as a wholly owned subsidiary of Network. UWI is a growing company with a significant revenue stream which should be a profitable addition to the Network family of businesses.

14. The proposed transaction will also be beneficial to the shareholders of UWI. With the access to the larger capital base of Network, as its parent company, UWI's operation will more readily increase in size and profitability.

15. Finally, both organizations will benefit from economies of scale, as is explained above.

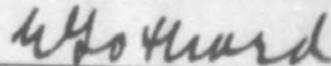
V. CONCLUSION

16. Commission approval is requested for the proposed Agreement between Network and UWI. This transaction will result in cost savings because of discounts on quantity ordering of materials and services for both companies, and will streamline the level of service for all involved customers. At the same time, approval of the proposed Agreement will not in any way be detrimental to the public interests of the State of Florida because the customers of both Network and UWI will continue to receive the same high quality service presently rendered to them and no party to the transaction between Network and UWI will be given undue advantage over any other party.

17. WHEREFORE, for the reasons stated herein, Applicants respectfully request that the Commission authorize Network and UWI to consummate the Share Exchange Agreement described above.

DATED this 15 day of November, 1996.

Respectfully submitted,



Edward P. Gothard, Esquire
(Of Counsel) Nowalsky & Bronston
3500 North Causeway Boulevard
Suite 1442
Metairie, Louisiana 70002
(504) 836-7423
(504) 832-1984

STATE OF LOUISIANA

PARISH OF JEFFERSON

VERIFICATION

I, Marc I. Becker, am the Vice President of Network Long Distance, Inc. and am authorized to make this verification on its behalf. The statements made in the foregoing Application are true of my own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters I believe them to be true.

By: Marc Becker
Name: Marc I. Becker
Title: Vice President

Sworn to and subscribed before me, Notary Public, in and for the State and Parish named above, this 8 day of November, 1996.

W. H. H. H.
Notary Public

My Commission is issued for life.

STATE OF KANSAS

COUNTY OF JOHNSON

VERIFICATION

I, Tim Barton, am the President of United Wats, Inc., and am authorized to make this verification on its behalf. The statements made in the foregoing Application are true of my own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters I believe them to be true.

By: T. B. L.
Name: Tim Barton
Title: President

Sworn to and subscribed before me, Notary Public, in and for the State and County named above, this 5th day of November, 1996.

Diana M. Sprofera
Notary Public

My Commission expires: 6-23-99



EXHIBIT "A"

SHARE EXCHANGE AGREEMENT

DRAFT

SHARE EXCHANGE AGREEMENT

dated as of

October 1, 1996

between

NETWORK LONG DISTANCE, INC.

and

UNITED WATS, INC.

and

**SHAREHOLDERS
OF
UNITED WATS, INC.**

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ANNEX

Annex A - Definitions

EXHIBITS

- Exhibit 3.1(f)(1) - Certificate of Secretary of the Company or UWI
- Exhibit 3.1(f)(2) - Certificate of Officer of the Company or UWI
- Exhibit 3.1(f)(3) - Opinion of Counsel for the Company
- Exhibit 3.1(f)(4) - Opinion of Counsel for UWI

SHARE EXCHANGE AGREEMENT

SHARE EXCHANGE AGREEMENT dated as of October 1, 1996 between NETWORK LONG DISTANCE, INC., a Delaware corporation (the "Company"), and UNITED WATS, INC., a Kansas corporation and the SHAREHOLDERS OF UNITED WATS, INC. (collectively known as "UWI").

Terms not otherwise defined in this Share Exchange Agreement have the meanings stated in Annex A.

The parties agree as follows:

ARTICLE I

TRANSACTIONS

Section 1.1 Share Exchange. Subject to the terms and conditions set forth in this Agreement,

(a) at the Closing,

(1) the Company shall issue, sell and deliver to UWI shareholders, in consideration of the sale and delivery to the Company of the issued and outstanding UWI Shares, and UWI shall purchase, accept and acquire from the Company, that number of shares of Common Stock (the "Company Shares") which is equal to the Purchase Price divided by the Average Trade Price of the Company Shares for the period of 30 consecutive trading days, ending three days prior to the Closing (the "30 Day Average Trade Price"). The Average Trade Price on each day shall be the average of the closing bid and asked price for that day as published in the Wall Street Journal; however, in no event will the price of the stock used to determine the number of shares to be issued be above \$10.75 (the "Cap") or below \$9.75 (the "Collar"); and

(2) UWI shall sell and deliver to the Company, in consideration of the issuance, sale and delivery to UWI of the Company Shares, and the Company shall purchase, accept, and acquire from UWI, 200,000 shares of voting common stock, \$.10 par value, of UWI (the "UWI Shares"), which represent all the issued and outstanding shares of such common stock; and

(3) The Company shall file a registration with respect to the Company Shares, with the Securities and Exchange Commission, in full compliance with all the applicable rules thereof, within seventy-five (75) days of the Closing Date and maintain a current registration statement with respect to the Company Shares for a period of two (2) years from the effective date of the registration statement.

ARTICLE II

CLOSING

Section 2.1 Closing. The closing of the transaction subject to Section 1.1 (the "Closing Transaction") shall take place (the "Closing") on or before November 30, 1996 (the "Closing Date").

Section 2.2 Location of Closing. The Closing shall take place at the corporate offices of the Company at its address stated on the signature pages of this Share Exchange Agreement or at such other location as agreed to by the parties.

ARTICLE III

CONDITIONS OF CLOSING

Section 3.1 Conditions Precedent to the Closing. The obligations of each party under this Share Exchange Agreement with respect to the Transaction are subject to the satisfaction of each of the following conditions, unless such conditions either are required to be satisfied by such party (for the benefit of the other party) or are waived by such party at or before the Closing:

(a) each party shall have obtained, if necessary, from each Governmental Body or other person any Approval necessary or taken all actions required to be taken in connection with each Approval, for (1) the due execution and delivery by such party of each Transaction Document to which it is or may become a party, and (2) the conclusion of the Closing Transaction;

(b) no Action shall be pending or, to the knowledge of either party, threatened against such party or any other person that restricts in any material respect or prohibits (or, if successful, would restrict or prohibit) the conclusion of the Closing;

(c) neither party (1) is in violation of or default, in any material respect, of any Regulation of any Governmental Body or any decision, ruling, order or award of or default, in any material respect, with respect to the same in connection with or as a result of the conclusion of the Closing, or (2) would be in violation of the conclusion of the Closing Transaction, as the case may be, in connection with or as a result of or default, in any material respect, with respect to the same;

(d) the representations and warranties of the other party contained in each Transaction Document to which such other party is a party shall be true and correct in all

material respects on and as of the Closing Date, with the same force and effect as though made on and as of the Closing Date;

(e) the other party shall have performed, in all material respects, all of the covenants and other obligations that are required by the Transaction Documents to which it is a party to be performed by such other party at or before the Closing; and

(f) the party shall have received from the other party the following, each dated the Closing Date, in form and substance reasonably satisfactory to the receiving party, and upon which the parties have expressly relied in entering into this Transaction:

(1) a certificate of the Secretary or an Assistant Secretary of such other party substantially in the form of Exhibit 3.1(f)(1), with respect to (i) the articles of incorporation of such other party, (ii) the bylaws of such other party, (iii) the resolutions of the Board of Directors of such other party approving each Transaction Document and the other documents to be delivered by it under the Transaction Documents and (iv) the names and true signatures of the officers of such other party authorized to sign each Transaction Document to which such other party is a party as of the Closing Date, and the other documents to be delivered by such other party under such Transaction Documents;

(2) a certificate of the President or a Vice President of such other party, substantially in the form of Exhibit 3.1(f)(2) to the effect that (i) the representations and warranties of such other party contained in the Transaction Documents to which it is a party are true and correct in all material respects as of the Closing Date, and (ii) such other party has performed, in all material respects, all covenants and other obligations required by the Transaction Documents to which it is a party to be performed by it at or before the Closing;

(3) a certificate of the Secretary of State of each jurisdiction in which such other party is incorporated, dated as of a recent date, as to the good standing of and payment of assessments by such other party and as to the charter documents of such other party on file in the office of the Secretary of State;

(4) with respect to the Company and UWI, a favorable opinion of one or more counsel for the Company and UWI, which together are substantially in the form of Exhibit 3.1(f)(3) and Exhibit 3.1(f)(4), respectively, in each case to the extent indicated therein as applicable to the Closing and as to other matters reasonably requested by the receiving party.

Section 3.2 Additional Conditions Precedent to the Closing. The obligations of each party under this Share Exchange Agreement with respect to the Closing Transaction are also subject to the satisfaction of each of the following conditions at or before the Closing,

unless the conditions either are required to be satisfied by such party (for the benefit of the other party) or are waived by the party:

(a) holders of 100% of the UWI Shares shall have duly approved this Agreement;

(b) on or within ten (10) business days after the Closing Date, the Company shall have duly executed and delivered to each of the Shareholders of UWI one or more certificates representing the Company Shares; and

(c) on or within ten (10) days of the Closing Date, UWI shall have delivered to the Company one or more certificates representing all of the UWI Shares, duly endorsed for transfer or together with a stock power duly endorsed for transfer.

Section 3.3 Legend.

(a) Each certificate for Company Shares and any certificate for Company Shares issued in exchange or on conversion or upon transfer, except certificates for the Company Shares issued in connection with a sale registered under the Securities Act and except as provided below, shall bear a standard "restricted" legend similar to or having the following effect:

(1) "The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended, and may not be offered, sold, transferred or otherwise disposed of except in compliance with said Act."

(b) The legend stated in Section 3.3(a)(1) shall be removed by delivery of one or more substitute certificates without such legend if the holder thereof shall have delivered to the Company a copy of a letter from the staff of the Securities and Exchange Commission or an opinion of legal counsel, in form and substance reasonably satisfactory to the Company, to the effect that the legend is not required for purposes of the Securities Act.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Each party represents and warrants, with respect to itself as follows (the Company or UWI being referred to in this Article IV as a "Subject Company"):

Section 4.1 Corporate Existence and Power. The representing party, and the Subject Company each (1) is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation, (2) has all necessary corporate

power and authority and all material licenses, authorizations, consents and approvals required to own, lease, license or use its properties now owned, leased, licensed or used and proposed to be owned, leased, licensed or used and to carry on its business as now conducted and proposed to be conducted, (3) is duly qualified as a foreign corporation under the laws of each jurisdiction in which both (A) qualification is required either (i) to own, lease, license or use its properties now owned, leased, licensed and used or (ii) to carry on its business as now conducted and (B) the failure to be so qualified could materially and adversely affect either or both of (i) the business, properties, operations, prospects or condition (financial or otherwise) of the Subject Company, and (ii) the ability of the representing party or the Subject Company to perform its obligations under any Transaction Document to which it is or may become a party and (4) has all necessary corporate power and authority to execute and deliver each Transaction Document to which it is or may become a party.

Section 4.2 Authorization; Contravention; Modifications. Subject to obtaining the Approvals referred to in Section 4.3, the execution and delivery by the representing party of each Transaction Document to which the representing party is or may become a party and the performance by it of its obligations under each such Transaction Document have been duly authorized by all necessary corporate action and do not and will not (1) contravene, violate, result in a breach of or constitute a default under, (A) its articles of incorporation or bylaws, (B) any Regulation of any Governmental Body or any decision, ruling, order or award of any arbitrator by which the representing party or any of its properties may be bound or affected or (C) any agreement, indenture or other instrument to which the representing party is a party or by which the representing party or its properties may be bound or affected, (2) except as contemplated by the Transaction Documents, result in or require the creation or imposition of any Lien on any of the properties now owned or hereafter acquired by the representing party.

Section 4.3 Approvals.

(a) No prior approval of any Governmental Body or other person, except as provided herein, is required or advisable on the part of the representing party for (1) the due execution and delivery by the representing party of any Transaction Document to which it is or may become a party, (2) the conclusion of the Closing Transaction, and (3) the performance by the representing party of its obligations under each Transaction Document to which it is or may become a party with respect to the Closing Transaction.

Section 4.4 Binding Effect. Each Transaction Document to which the representing party is or may become a party is, or when executed and delivered in accordance with this Share Exchange Agreement will be, the legally valid and binding obligation of the representing party enforceable against it in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally and general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability

of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

Section 4.5 Financial Information.

(a) The consolidated balance sheets of the Subject Company and its Consolidated Subsidiaries, if any, as of the last day of its latest two (2) fiscal years (the "Balance Sheet Date") and the related consolidated statements of operations, shareholders' equity and cash flows for the last day of its latest three (3) years then ended, reported on by the independent public accountants of the representing party (and, with respect to the Company, filed with the Securities and Exchange Commission in the Company's Annual Report on Form 10-K for the year ended March 31, 1996), a true and complete copy of which has been delivered to the other party, fairly present the consolidated financial position of the Subject Company and its Consolidated Subsidiaries, if any, as of that date and their consolidated results of operations and cash flows for the year then ended, in accordance with GAAP and Regulation S-X of the Securities Act applied on a consistent basis except as described in the footnotes to such financial statements or as disclosed in writing to the other party, which writing makes reference to this Agreement.

(b) The representing party has made available to the other party copies of each management letter, if any, delivered to the representing party by the independent public accountants of the representing party in connection with the financial statements referred to in this Section 4.5 or relating to any review by them of the internal controls of the Subject Company and its Consolidated Subsidiaries, if any, during the three years ended on its Balance Sheet Date or thereafter, and has made available for inspection all reports and working papers produced or developed by them or management in connection with their examination of those financial statements, as well as all such reports and working papers for prior periods for which any liability of the Subject Company and its Subsidiaries, if any, for Taxes has not been finally determined or barred by applicable statutes of limitation.

Section 4.6 Taxes. Each of the Subject Company and its Subsidiaries, if any, has filed all Tax Returns that are required to be filed with any Governmental Body and has paid all Taxes due pursuant to the Tax Returns or any assessment received by it or otherwise required to be paid, except Taxes being contested in good faith by appropriate proceedings and for which adequate reserves or other provisions are maintained, and except for the filing of Tax Returns as to which the failure to file could not, individually or in the aggregate, have a Material Adverse Effect. No issues that have been raised in writing by the relevant taxing authority in connection with the examination of the Tax Returns are currently pending.

Section 4.7 Litigation.

(a) Except as previously disclosed to the other party in writing, which writing makes reference to this Agreement, there is no Action pending or, to the knowledge of the representing party, threatened against the Subject Party or any of its Subsidiaries, if any, that

(1) involves the Transaction or (2) individually or in the aggregate, if determined adversely to any of them, could result in a liability to any of them in an amount that could have a Material Adverse Effect.

(b) There is no Action pending or, to the knowledge of the representing party, threatened against the representing party, any of its Subsidiaries, if any, or any other person that involves the Transaction or any property owned, leased, licensed or used by the representing party or such Subsidiary that, individually or in the aggregate, if determined adversely to any of them, could have a Material Adverse Effect.

Section 4.8 Compliance with Laws. None of the Subject Company and its Subsidiaries, if any, is in, and none of them has received notice of, a violation of or default with respect to, any Regulation of any Governmental Body or any decision, ruling, order or award of any arbitrator applicable to it or its business, properties or operations, including individual products or services sold or provided by it, except for violations or defaults that, individually or in the aggregate, could not have a Material Adverse Effect.

Section 4.9 Subsidiaries.

(a) The representing party has previously delivered to the other party a correct and complete list of the Subsidiaries, if any, of the Subject Company, which list makes reference to this Agreement, showing the following as of the date of this Share Exchange Agreement with respect to each such Subsidiary: (1) the jurisdiction of its incorporation; and (2) the directors and officers of the Subsidiary as of the Closing Date.

Section 4.10 Debt. The representing party has previously disclosed to the other party in writing, which writing makes reference to this Agreement, a correct and complete description and list of the following: (1) all credit agreements, indentures, purchase agreements, Guarantees, Capitalized Leases and other Investments, agreements and other arrangements presently in effect providing for or relating to individual Debt in any amount greater than \$90,000 with respect to UWI and \$250,000 with respect to the Company; (2) the maximum principal or face amounts of such Debt outstanding or which may be outstanding under each of those agreements and other arrangements; and (3) the maturity date or dates of such Debt.

Section 4.11 No Default. Except as previously disclosed to the other party in writing, which writing makes reference to this Agreement, none of the Subject Company and its Subsidiaries, if any, are in default with respect of any obligation under any credit agreement, indenture, purchase agreement, Guarantee, Capitalized Lease and other Investment, agreement or arrangement referred to in Section 4.12, which default either alone or together with any other default, entitles another party thereto, with the giving of notice or the passage of time or both, to terminate or modify the rights and obligations of the parties thereunder or with respect thereto or to accelerate, increase or otherwise modify any obligation of the Subject Company or any of its Subsidiaries, if any, thereunder.

Section 4.12 Capitalization.

(a) With respect to the Company,

(1) the authorized capital stock of the Company as of June 30, 1996 consisted of (A) 20,000,000 shares, par value \$.0001, of Common Stock, of which 4,489,859 shares were issued and outstanding, and (B) 25,000,000 shares of preferred stock, par value \$.01 per share, of which no shares are issued and outstanding;

(2) the number of shares of Common Stock as of the date hereof (A) issued and outstanding, (B) held in the treasury of the Company, and (C) reserved for issuance upon exercise of outstanding stock options granted by the Company together with the exercise prices therefor has been previously disclosed to UWI pursuant to the Company's Form 10-Q for June 30, 1996.

(b) With respect to UWI,

(1) the authorized capital stock of UWI consists of 200,000 shares of voting common stock, \$.10 par value, of which 200,000 shares are issued and outstanding. UWI does not have a class of preferred stock authorized.

(c) except as set forth above, no Equity Securities of the Subject Company are issued, reserved for issuance or currently outstanding.

(d) All outstanding shares of capital stock of the Subject Company are, and all shares that may be issued pursuant to the exercise of the Outstanding Options, will be, when issued, duly authorized, validly issued, fully paid and nonassessable and, except as provided in the Transaction Documents, are not subject to preemptive rights.

(e) Except with respect to the Outstanding Options and the Transaction Documents, there are no outstanding bonds, debentures, notes or other indebtedness or other securities of the Subject Company having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which shareholders of the Subject Company may vote.

(f) Except with respect to the Outstanding Options and the Transaction Documents, there is no agreement or arrangement restricting the voting or transfer of the Equity Securities of the Subject Company.

(g) Except with respect to the Outstanding Options and the Transaction Documents, there are no outstanding securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which any of the Subject Company and its Subsidiaries, if any, is a party or by which any of them is bound obligating the Subject

Company or such Subsidiary, if any, to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other Equity Securities of the Subject Company or such Subsidiary, if any, or obligating the Subject Company or such Subsidiary, if any, to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking.

(h) Except as previously disclosed to the other party in writing, which writing makes reference to this Share Exchange Agreement, there are no outstanding contractual obligations, commitments, understandings or arrangements of any of the Subject Company and its Subsidiaries, if any, to repurchase, redeem or otherwise acquire, reacquire or make any payment in respect of any shares of Equity Securities of the Subject Company or such Subsidiary, if any.

(i) Except with respect to statutory restrictions of general application, there are no legal, contractual or other restrictions on the payment of dividends or other distributions or amounts on or in respect of any of the Equity Securities of the Subject Company.

(j) Except as contemplated by this Share Exchange Agreement, there are no agreements or arrangements to which any of the Subject Company and its Subsidiaries, if any, is a party pursuant to which the Subject Company is or could be required to register shares of common stock or other securities under the Securities Act.

(k) Equity Securities of the Subject company that were issued and reacquired by the Subject Company were so reacquired (and, if reissued, so reissued) in compliance with all applicable Regulations, and the Subject Company has no liability with respect to the reacquisition or reissuance of the Equity Securities.

Section 4.13 Material Contracts. The representing party has previously disclosed to the other party in writing, which writing makes reference to this Agreement, a correct and complete description and list of the following (collectively, the "**Material Contracts**") with respect to any of the Subject Company and its Subsidiaries, if any:

(a) agreements with investment bankers, brokers, finders, consultants and advisers engaged by or on behalf of the Subject Company or such Subsidiary with respect to the Transaction;

(b) agreements with any shareholder having beneficial ownership of 5.0% or more of the shares of common stock of the Subject Company then issued and outstanding, director or officer of the Subject Company or such Subsidiary and all shareholders' agreements and voting trusts; and

(c) agreements not made in the ordinary course of business and which are materially adverse to the business of the Subject Company or such Subsidiary.

Section 4.14 Investment Intent.

(a) The representing parties acknowledge that the Company is issuing the Company Shares and that UWI is selling the UWI Shares, in each case pursuant to the terms of the Transaction Documents, in reliance upon the exemption afforded by Section 4(2) of the Securities Act for transactions by an issuer not involving any public offering and/or Regulation D adopted thereunder.

(b) The representing party (1) represents that it is acquiring securities pursuant to Section 1.1 for investment and without any view toward distribution of any of the securities to any other person and (2) agrees that it will not sell or otherwise dispose of the securities except in compliance with the registration requirements or exemption provisions under the Securities Act.

Section 4.15 Fees for Brokers and Finders. The representing party and its Subsidiaries, if any, and other Affiliates have not authorized any person to act as financial advisor, broker, finder or other intermediary that might be entitled to any fee, commission, expense reimbursement or other payment of any kind from any of the representing party, such Subsidiaries, if any, and such other Affiliates upon the conclusion of or in connection with the Transaction.

Section 4.16 Misstatements. Except to the extent revised or superseded by a subsequent certificate, schedule or report furnished to the other party, no information, certificate, schedule or report furnished by or on behalf of the representing party to the other party with respect to any of the Subject Company and its Subsidiaries, if any, in connection with the negotiation of any Transaction Document or the satisfaction of any condition under any Transaction Document contained as of the date thereof any untrue statement of a material fact or omitted to state a material fact necessary to make the statement contained therein, in the light of the circumstances under which it was made, not misleading.

Section 4.17 Company Representations. With respect to the Company:

(a) **Recommendations.** The Board of Directors of the Company, at a meeting duly called and held, has duly (1) determined that the Transaction Documents and the Transaction, taken as a whole, are in the best interests of the Company and its shareholders and (2) approved the Transaction Documents and the Transaction.

(b) **Shareholder Approval.** None of the Closing Transactions is required to be approved by the holders of shares of any class of Equity Securities of the Company.

(c) **No Restriction on UWI.** No provision of the articles of incorporation or bylaws of the Company or any other agreement, indenture or other instrument

to which Company or its properties are subject (1) directly or indirectly restricts or impairs the right or ability of UWI to vote, or otherwise to exercise the rights and receive the benefits of a shareholder with respect to, Equity Securities of the Company that may be acquired or controlled by UWI, including, without limitation, restrictions based upon the size of the security holdings of UWI, the business in which it is engaged or other considerations applicable to it and not to security holders generally, or (2) permits any other securityholder of the Company to acquire securities of the Company on a basis not available to UWI if UWI were to acquire Equity Securities of the Company.

(d) SEC Documents. The Company has filed with the Securities and Exchange Commission all reports, schedules, forms, statements and other documents required by the Exchange Act to be filed by the Company (collectively, and in each case including all exhibits and schedules thereto and documents incorporated by reference therein, the "SEC Documents"). The Company has delivered to UWI all SEC Documents. As of their respective dates, except to the extent revised or superseded by a subsequent filing with the Securities and Exchange Commission, the SEC Documents complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and none of the SEC Documents (including any and all financial statements included therein) as of such dates contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The consolidated financial statements of the Company and the Subsidiaries, if any, included in all SEC Documents, including any amendments thereto (the "SEC Financial Statements"), comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the Securities and Exchange Commission with respect thereto.

(e) Pooling of Interests: Reorganization. To the knowledge of the Company, the Company has not (i) taken any action or failed to take any action which action or failure to take action would jeopardize the treatment of the Transaction as a pooling of interests for accounting purposes or (ii) taken any action or failed to take any action which action or failure to take action would jeopardize the qualification of the Transaction as a reorganization within the meaning of the Code. Without limiting the foregoing: (i) all of the UWI's assets will continue to be held by the Company immediately after the Closing for a period of at least two (2) years, (ii) the Company has no plan or intention to sell or otherwise dispose of any UWI Stock, or to sell or otherwise dispose of (except in the ordinary course of business) any of its assets, (iii) following the Closing, the Company will continue at least one significant business line of UWI, or use at least a significant portion of UWI's historic business assets in a business, in each case within the meaning of Treas. Reg. § 1.368-1(d), (iv) neither the Company nor any of its Subsidiaries, if any, own, nor have any of them owned during the past five (5) years, any capital stock of UWI, and (v) the Company will issue a press release or other form of public announcement which sets forth the one (1) month financial results of the combined operations no later than fifteen (15) days from the month following the Closing Date.

Section 4.18 UWI Representations. With respect to UWI:

(a) Tax Audits. UWI became a corporation on August 21, 1992. In the event UWI is audited by the IRS prior to the expiration of the applicable statute of limitations with respect to its business activities or this Transaction, UWI will so notify the Company. In addition, UWI agrees to allow Company's accountants to review its 1994 and 1995 federal and state corporation returns and for the short period prior to the Closing Date of this Transaction. UWI will provide final copies to Company for review at least ten (10) days prior to filing.

(b) Pooling of Interests; Reorganization. To the knowledge of UWI, it has not (i) taken any action or failed to take any action which action or failure to take action would jeopardize the treatment of the Transaction as a pooling of interests for accounting purposes or (ii) taken any action or failed to take any action which action or failure to take action would jeopardize the qualification of the Transaction as a reorganization within the meaning of the Code. Without limiting the foregoing: (i) to the knowledge of the shareholders and executive officers of UWI, there is no plan or intention on the part of the holders of UWI Stock to sell, exchange or otherwise dispose of a number of the Company Shares except as is provided for in this Share Exchange Agreement that would cause paragraph 2 of Section 7.03 of Rev. Proc. 77-37 (as amplified) not to be true as applied to the Transaction, (ii) as of the Closing Date and immediately following the Closing Date, the Company will hold "substantially all" of UWI's assets within the meaning of the Code and Rev. Proc. 77-37 (as amplified), (iii) there is no intercorporate indebtedness between the Company and UWI, and (iv) UWI has no plan or intention for the Company to issue additional shares of its common stock following the Closing.

ARTICLE V

TERMINATION

Section 5.1 Termination.

(a) The obligations of the parties under Section 1.1(a) and Article IV with respect to the Closing may be terminated at any time prior to the Closing Date, in each case, as the case may be, by:

- (1) the mutual consent of the Company and UWI;
- (2) the Company, if the conditions to be satisfied by UWI set forth in Sections 3.1 and 3.2 shall not have been met within ten (10) days after the Closing Date;
- (3) the Company, if a representation, warranty or covenant of UWI set forth in a Transaction Document is breached or violated by UWI in any material respect;

(4) UWI, if the conditions to be satisfied by the Company set forth in Sections 3.1 and 3.2 shall not have been met within ten (10) days after the Closing Date;

(5) UWI, if a representation, warranty or covenant of the Company set forth in a Transaction Document is breached or violated by the Company in any material respect;

(b) Any termination of the obligations of the parties shall be made by written agreement or by written notice from the terminating party to the other parties;

(c) The termination of the obligations of the parties under this Section 5.1 shall not relieve any party of any liability for a breach of any warranty, covenant or agreement, or for any misrepresentation, under this Agreement, or be deemed to constitute a waiver of any available remedy (including specific performance if available) for any breach or misrepresentation; or

(6) Either the Company or UWI if the shareholders of UWI do not approve the Transaction by December 31, 1996.

Section 5.2 Expenses and Fees.

(a) Expenses and Fees. Whether or not the Transaction is concluded, all costs and expenses incurred in connection with the Transaction Documents and the Transaction shall be paid by the party incurring such expenses.

ARTICLE VI

MISCELLANEOUS

Section 6.1 Notices. All notices, requests and other communications to any party or under any Transaction Document shall be in writing. Communications may be made by telecopy or similar writing. Each communication shall be given to the party at its address stated on the signature pages of this Share Exchange Agreement or at any other address as the party may specify for this purpose by notice to the other party. Each communication shall be effective (1) if given by telecopy, when the telecopy is transmitted to the proper address and the receipt of the transmission is confirmed, (2) if given by mail, 72 hours after the communication is deposited in the mails properly addressed with first class postage prepaid or (3) if given by any other means, when delivered to the proper address and a written acknowledgment of delivery is received.

Section 6.2 No Waivers; Remedies; Specific Performance.

(a) No failure or delay by any party in exercising any right, power or privilege under any Transaction Document shall operate as a waiver of the right, power or privilege. A single or partial exercise of any right, power or privilege shall not preclude any other or further exercise of the right, power or privilege or the exercise of any other right, power or privilege. The rights and remedies provided in the Transaction Documents shall be cumulative and not exclusive of any rights or remedies provided by law.

(b) In view of the uniqueness of the Transaction and the business, properties, operations, prospects and condition (financial and otherwise) of the Company, UWI and their respective Subsidiaries, if any, neither party would have an adequate remedy at law for money damages in the event that any of the Transaction Documents is not performed in accordance with its terms, and therefore each party agrees that the other party shall be entitled to specific enforcement of the terms of each Transaction Document in addition to any other remedy to which it may be entitled, at law or in equity.

Section 6.3 Amendments, Etc. No amendment, modification, termination, or waiver of any provision of any Transaction Document, and no consent to any departure by a party to a Transaction Document from any provision of the Transaction Document, shall be effective unless it shall be in writing and signed and delivered by the other parties to the Transaction Document, and then it shall be effective only in the specific instance and for the specific purpose for which it is given.

Section 6.4 Accounting Terms and Determinations. Unless otherwise specified, all accounting terms shall be interpreted, all accounting determinations shall be made, all records and books of account shall be kept and all financial statements required to be prepared or delivered shall be prepared in accordance with GAAP and Regulation S-X of the Securities Act of 1933, as amended, applied on a basis consistent (except for changes approved by the Company's independent public accountants) with the latest audited financial statements referred to in Section 4.5.

Section 6.5 Governing Law. Each Transaction Document shall be governed by and construed in accordance with the internal laws of the State of Delaware and the State of Kansas. All rights and obligations of the Company and UWI shall be in addition to and not in limitation of those provided by applicable law.

Section 6.6 Counterparts; Effectiveness. Each Transaction Document may be signed in any number of counterparts, each of which shall be an original, with the same effect as if all signatures were on the same instrument.

Section 6.7 Severability of Provisions. Any provision of any Transaction Document that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be

ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions of the Transaction Document or affecting the validity or enforceability of the provision in any other jurisdiction.

Section 6.8 Headings and References. Article and section headings in any Transaction Document are included in the Transaction Document for the convenience of reference only and do not constitute a part of the Transaction Document for any other purpose. References to parties and articles and sections in any Transaction Document are references to the parties to or the articles and sections of the Transaction Document, as the case may be, unless the context shall require otherwise.

Section 6.9 Survival. Except as otherwise specifically provided in any Transaction Document, and notwithstanding any investigation or notice to the contrary or any waiver by any other party of a related condition precedent to the performance by the other party of an obligation under the Transaction Document, (1) each representation and warranty of each party to the Transaction Document contained in or made pursuant to the Transaction Document shall survive the Closing and remain in full force and effect until the date that is the second anniversary of the Closing Date and (2) the other party may assert or commence an Action against the party with respect to the breach of any such representation or warranty of the party on or before such date and may maintain any such Action thereafter. Each covenant or agreement of a party to a Transaction Document required to be performed on or after a Closing shall remain in full force and effect thereafter in accordance with its terms.

Section 6.10 Non-Exclusive Jurisdiction. Each party (1) agrees that any Action with respect to any Transaction Document may be brought in the courts of the States of Louisiana, Kansas or applicable District Court of the United States of America, (2) accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of those courts and (3) irrevocably waives any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum non conveniens, which it may now or hereafter have to the bringing of any Action in those jurisdictions; provided, however, that any party may assert in an Action in any other jurisdiction or venue each mandatory defense, third-party claim or similar claim that, if not so asserted in such Action, may thereafter not be asserted by such party in an original Action in the courts referred to in clause (1) above.

Section 6.11 Waiver of Jury Trial. Each party waives any right to a trial by jury in any Action to enforce or defend any right under any Transaction Document or any amendment, instrument, document or agreement delivered, or which in the future may be delivered, in connection with any Transaction Document and agrees that any Action shall be tried before a court and not before a jury.

Section 6.12 Affiliate. Nothing contained in the Transaction Documents shall constitute UWI an "affiliate" of any of the Company and its Subsidiaries, if any, within the meaning of Rule 13e-3 under the Exchange Act.

Section 6.13 Non-Recourse. No recourse under any of the Transaction Documents shall be had against any "controlling person" (within the meaning of Section 20 of the Exchange Act) of any party or the shareholders, directors, officers, employees, agents and Affiliates of the party or such controlling persons, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any Regulation, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by such controlling person, shareholder, director, officer, employee, agent or Affiliate, as such, for any obligations of the party under this Share Exchange Agreement or any other Transaction Document or for any claim based on, in respect of or by reason of such obligations or their creation.

Section 6.14 Entire Agreement. Except as otherwise specifically provided in this Section, the Transaction Documents embody the entire agreement and understanding of the respective parties and supersede all prior agreements or understandings with respect to the subject matters of those documents. All references to this Share Exchange Agreement herein and in all opinions, certificates and other documents delivered pursuant to or otherwise delivered in connection with this Share Exchange Agreement shall be deemed to refer to this Agreement.

Section 6.15 Attorney's Fees. If an attorney shall be retained to interpret or enforce the provisions of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, including any such fees set by the trial or appellate court upon trial or appeal. A party shall be considered the prevailing party for the purposes of this section in the event it is awarded a monetary judgment and/or equitable relief against the other party by a court of competent jurisdiction, or in the event that a legal proceeding instituted against it by the other party to interpret or enforce the provisions of this Share Exchange Agreement is dismissed voluntarily or by court order, or judgment is entered in favor of the defendant.

IN WITNESS WHEREOF, the parties have executed and delivered this Share Exchange Agreement as of the date first written above as provided herein.

NETWORK LONG DISTANCE, INC.

By: _____
Michael M. Ross, President

Address: 525 Florida Street
Baton Rouge, Louisiana 70801

Telecopy: (800) 349-3579

UNITED WATS, INC.

By: _____
Timothy A. Barton, President

Address: 7000 Squibb, Suite 310
Mission, KS 66202

Telecopy: (913) 262-3431

**SHAREHOLDERS OF
UNITED WATS, INC.**

Timothy A. Barton

Address: 7000 Squibb, Suite 310
Mission, Kansas 66202

Address: _____

Address: _____

Address: _____

DEFINITION ANNEX

"Action" against a person means an action, suit, investigation, complaint or other proceeding pending against or affecting the person or its property, whether civil or criminal, in law or equity or before any arbitrator or Governmental Body.

"Affiliate" of a person means any other person (1) that directly or indirectly controls, is controlled by or is under common control with, the person or any of its Subsidiaries, if any, (2) that directly or indirectly beneficially owns or holds 5.0% or more of any class of voting stock of the person or any of its Subsidiaries, if any, or (3) 5.0% or more of the voting stock of which is directly or indirectly beneficially owned or held by the person or any of its Subsidiaries, if any. The term **"control"** means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise.

"Approval" means an authorization, consent, approval or waiver of, clearance by, notice to or registration or filing with, or any other similar action by or with respect to a Governmental Body or any other person and the expiration or termination of all prescribed waiting, review or appeal periods with respect to any of the foregoing.

"Beneficial ownership" has the meaning assigned to that term in Section 13(d) of the Exchange Act.

"Best efforts" means the use of all reasonable efforts, including, without limitation, the expenditure of amounts reasonably related to the objective sought to be achieved, with respect to matters and actions over which the person has or could reasonably be expected to exert any control or influence.

"Business Day" means any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the State of Louisiana or is a day on which banking institutions located in such state are authorized or required by law or other governmental action to close.

"Capitalized Lease" means any lease that is or should be capitalized and appear on the balance sheet of the lessee.

"Closing Date" means the Closing Date as may be established by the parties.

"Code" means the Internal Revenue Code of 1986, as amended.

"Common Stock" has the meaning stated in Section 1.1 of this Agreement.

"Company" means Network Long Distance, Inc., a Delaware corporation, and its successors.

"Company Shares" means, collectively, the shares to be issued to UWI at the Closing.

"Consolidated" means, as applied to any financial or accounting term, the term determined on a consolidated basis for a person and its Subsidiaries, if any, excluding intercompany items and minority interests.

"Consolidated Subsidiary" of a person at any date means any Subsidiary of the person or other entity the accounts of which would be consolidated with those of the person in its consolidated financial statements as of that date.

"Debt" of a person at any date means, without duplication, the sum of (1) all obligations of the person (A) for borrowed money, (B) evidenced by bonds, debentures, notes or other similar instruments, (C) to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (D) as lessee under Capitalized Leases, (E) under letters of credit issued for the account of the person and (F) arising under acceptance facilities, plus (2) all Debt of others Guaranteed by the person, plus (3) all Debt of others secured by a Lien on any asset of the person and whether or not such Debt is assumed by the person.

"Dollars" and "\$" refer to United States dollars and other lawful currency of the United States of America from time to time in effect.

"Equity Securities" of a person means the capital stock of the person and all other securities convertible into or exchangeable or exercisable for any shares of its capital stock, all rights to subscribe for or to purchase, all options for the purchase of, and all calls, commitments or claims of any character relating to, any shares of its capital stock and any securities convertible into or exchangeable or exercisable for any of the foregoing.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the related rules and regulations thereunder.

"Closing Date" has the meaning stated in Section 2.1 of this Agreement.

"GAAP" means generally accepted accounting principles as in effect in the United States of America from time to time.

"Governmental Body" means any agency, bureau, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state, county or local, domestic or foreign.

"Guarantee" by any person means any obligation, contingent or otherwise, of the person directly or indirectly guaranteeing any Debt of any other person or in any manner

providing for the payment of any Debt of any other person or the investment of funds in any other person or otherwise protecting the holder of the Debt against loss (whether by agreement to indemnify, to lease assets as lessor or lessee, to purchase assets, goods, securities or services, or to take-or-pay or otherwise), but the term "guarantee" does not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a correlative meaning.

"Knowledge" with respect to a representation or warranty of a party contained in any Transaction Document means, after due inquiry by the representing party of each of the following persons, the actual knowledge of any of the officers or other employees of the representing party having managerial responsibility for the portion of the operations, assets or liabilities of the representing party and its Subsidiaries, if any, with respect to which such knowledge of the person is being represented.

"Lien" means any mortgage, deed of trust, lien (statutory or otherwise), pledge, hypothecation, charge, deposit arrangement, preference, priority, security interest or encumbrance of any kind (including, but not limited to, any conditional sale agreement or other title retention agreement, any Capitalized Lease or financing lease having substantially the same economic effect as the foregoing and the filing of or agreement to give any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction to evidence any of the foregoing).

"Material Adverse Effect" means, with respect to a circumstance or event subject to a representation, warranty, covenant or other agreement of a person or any of its Subsidiaries, if any, in any Transaction Document that includes a reference therein to the possible occurrence of a Material Adverse Effect, whether considered individually or together in the aggregate with all other circumstances or events that are the subject of the same representation, warranty, covenant or other agreement, a material adverse effect on the business, properties, operations, prospects, condition (financial or otherwise) or capitalization of the person and its Subsidiaries, if any, taken as a whole, or the ability of the person to perform its obligations under any Transaction Document to which it is or may become a party.

"Material Contract" means an agreement referred to in Section 4.15.

"Measurement Period" shall mean the period commencing October 1, 1996 and ending November 14, 1996 for Net Toll Usage derived on the MCI network and the period commencing September 15, 1996 and ending October 31, 1996 for Net Toll Usage derived on the Sprint network.

"Nasdaq" means the National Association of Securities Dealers, Inc. Automated Quotation System.

"Net Toll Usage" means toll usage for the Qualified Customer Accounts during the Measurement Period, net of any discounts and minus other appropriate deductions, including but not limited to taxes, pass-through charges to customers, credits and chargebacks.

"Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a Governmental Body.

"Property" means any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

"Proprietary Rights" means all copyrights, uncopyrighted works, trademarks, trademark rights, service marks, trade names, trade name rights, patents, patent rights, unpatented inventions, licenses, permits, trade secrets, know-how, inventions, computer software, seismic data and intellectual property rights and other proprietary rights together with applications and licenses for, and the goodwill of the business relating to, any of the foregoing.

"Purchase Price" means Net Toll Usage multiplied by a multiple of [REDACTED] express shipping business which operates as DeskTop Shipping.

"Qualified Customer Accounts" means end user long distance telecommunications customer accounts of UWI which, unless mutually agreed to by the Company and UWI, may not be (i) affiliated with UWI in any way or (ii) comprised, in whole or in part, of any outstanding balance(s) which is/are more than sixty (60) days past due.

"Recommendations" has the meaning set forth in Section 4.19 of this Agreement.

"Regulation" means (1) any applicable law, rule, regulation, judgment, decree, ruling, order, award, injunction, recommendation or other official action of any Governmental Body and (2) any official change in the interpretation or administration of any of the foregoing by the Governmental Body or by any other Governmental Body or other person responsible for the interpretation or administration of any of the foregoing.

"SEC Documents" has the meaning stated in Section 4.17(d) of this Agreement.

"SEC Financial Statements" has the meaning set forth in Section 4.17(d) of this Agreement.

"Securities Act" means the Securities Act of 1933, as amended, and the related rules and regulations thereunder.

"State" means the State of Louisiana or Kansas, as appropriate.

"Subsequent Event" means, with respect to a party (the "affected party"), any of the following, in each case whether or not any shall have exercised and delivered, or exercised any rights or performed any obligations under, any of the Transaction Documents:

(1) the affected party or any of its Subsidiaries, if any, without having received the prior written consent of the other party, shall have entered into an agreement with respect to a Business Combination Transaction, or the board of directors of the affected party shall have recommended that the shareholders of the affected party approve or accept any Business Combination Transaction;

(2) the affected party or any of its Subsidiaries, if any, without having received the prior written consent of the other party, shall have authorized, recommended, proposed or publicly announced its intention to authorize, recommend or propose, an agreement with respect to a Business Combination Transaction, or the board of directors of the affected party shall have publicly withdrawn or modified, or publicly announced its intent to withdraw or modify, the Recommendations;

(3) any person other than the other party or any Affiliate of the other party shall have acquired beneficial ownership or the right to acquire beneficial ownership of 30% or more of the outstanding shares of common stock of the affected party then issued and outstanding; or

(4) any person shall have proposed a Business Combination Transaction (A) that the board of directors of the affected party determines in its good faith judgment is more favorable to the affected party's shareholders than the Transactions and (B) as a result of which the board of directors of the affected party concludes in good faith that termination of the Transaction Documents is necessary or appropriate in order for the board of directors of the affected party to act in a manner which is consistent with its fiduciary obligations under applicable law.

"Subsidiary" of a person means (i) any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect not less than 50% of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the person or (ii) a partnership in which the person or a Subsidiary of the person is, at the date of determination, a general or limited partner of such partnership, but only if the person or its Subsidiary is entitled to receive more than fifty percent of the assets of such partnership upon its dissolution.

"Taxes" means all taxes, charges, fees, levies, duties, imposts, withholdings, restrictions, fines, interest, penalties, additions to tax or other assessments or charges, including, but not limited to, income, excise, property, withholding, sales, use, gross receipts, value added and franchise taxes, license recording, documentation and registration fees and custom duties imposed by any Governmental Body.

"Tax Return" means a report, return or other information required to be filed by a person with or submitted to a Governmental Body with respect to Taxes, including, where permitted or required, combined or consolidated returns for any group of entities that includes the person.

"Transaction Documents" means, collectively, means this Agreement, and all other instruments and documents executed and delivered by any person in connection with the conclusion of one or more of the transactions contemplated thereby.

"Transaction" means, collectively, the transactions undertaken pursuant to or otherwise contemplated by, the Transaction Documents, including, without limitation, the Closing Transaction.

"Transfer" means a sale, an assignment, a lease, a license, a grant, a transfer or other disposition of an asset or any interest of any nature in an asset. The term "transfer" used as a verb has a correlative meaning.

"UWI" means United Wats, Inc., a Kansas corporation, and successors.

"UWI Shares" has the meaning stated in Section 1.1(a)(2) of this Agreement.

"Wholly-Owned Subsidiary" of a person means any Subsidiary all of the shares of capital stock or other ownership interests of which, except directors' qualifying shares, are at the time directly or indirectly owned by the person.

EXHIBIT "B"

**NETWORK LONG DISTANCE, INC.
FINANCIAL INFORMATION**

**FORM 10-Q, FOR PERIOD
ENDED JUNE 30, 1996**

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended June 30, 1996.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____.

Commission File Number: 0-23172

NETWORK LONG DISTANCE, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

77-1122018

(I.R.S. Employer Identifi-
fication Number)

525 Florida Street
Baton Rouge, Louisiana 70801

Address of Principal Executive Offices, Including Zip Code

(504) 343-3125

(Registrant's Telephone Number, Including Area Code)

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 periods 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

There were 4,489,859 shares of the Registrant's \$.0001 par value common stock
issued and outstanding as of June 30, 1996.

NETWORK LONG DISTANCE, INC. AND SUBSIDIARIES

Index to Form 10-Q

For the Quarter Ended June 30, 1996

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NEW YORK LONG DISTANCE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 1996 <u>Unaudited</u>	March 31, <u>1996</u>
ASSETS		
Current assets	\$ 670,350	\$ 886,683
Cash and cash equivalents		
Accounts receivable, net of allowance for doubtful accounts of \$1,377,000 and \$1,001,000 at June 30, 1996, and March 31, 1996 respectively	6,760,086	6,946,534
Other receivables	639,965	708,962
Deferred income tax asset	131,656	131,656
Other current assets	<u>426,974</u>	<u>583,561</u>
Total current assets	8,629,031	9,257,396
Property and equipment		
Land	75,000	75,000
Building and improvements	696,947	686,470
Telecommunications equipment	1,369,224	2,210,908
Furniture and fixtures	<u>1,463,413</u>	<u>1,341,828</u>
Less accumulated depreciation	3,604,584	4,314,206
	<u>1,729,350</u>	<u>1,661,091</u>
	1,875,234	2,653,115
Customer Acquisition Costs, Net	8,426,456	6,276,439
Goodwill, Net	4,667,635	2,079,433
Other Intangibles, net	362,558	417,130
Other assets	<u>738,019</u>	<u>218,940</u>
Total assets	<u>\$24,698,933</u>	<u>\$20,902,453</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	\$1,141,301	\$ 146,175
Short-term debt and current maturities of long-term debt	342,520	297,524
Accounts payable	2,573,003	2,736,999
Accrued telecommunications cost	1,064,259	892,716
Other accrued liabilities	177,059	176,210
Customer deposits	<u>86,847</u>	<u>82,855</u>
Current Maturities of Capital Lease Obligations	5,384,989	4,332,479
Total current liabilities		58,201
Deferred income tax liability	58,201	58,201
Long-Term Debt	3,860,574	2,889,138
Capital Lease Obligation	89,109	126,481
Series A convertible preferred stock - \$.01 par value; 25,000,000 shares authorized; no shares issued and outstanding at June 30, 1996, and March 31, 1996.	0	0
Stockholders' equity		
Common stock - \$.0001 par value; 20,000,000 shares authorized; 4,489,859 and 4,246,101 shares issued and outstanding at June 30, 1996 and March 31, 1996, respectively	449	425
Additional paid-in capital	14,723,965	12,904,794
Retained earnings	<u>581,646</u>	<u>590,935</u>
Total stockholders' equity	<u>15,306,060</u>	<u>13,496,154</u>
Total liabilities and stockholders' equity	<u>\$24,698,933</u>	<u>\$20,902,453</u>

See notes to consolidated financial statements.

NETWORK LONG DISTANCE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months ended June 30	
	<u>1996</u>	<u>1995</u>
Revenues (including excise taxes of \$165,375 and \$61,859 for the three months ended June 30, 1996 and 1995, respectively)	\$9,968,386	\$8,087,393
Operating expenses:		
Telecommunications costs	6,896,811	6,216,813
Selling, general and administrative	2,315,197	1,480,884
Depreciation and amortization	384,910	176,346
Provision for losses on accounts receivable	<u>254,040</u>	<u>92,746</u>
Total Operating expenses	<u>9,850,958</u>	<u>7,966,789</u>
Operating income	117,428	120,604
Interest (income) expense, net	105,089	8,248
Other (income) loss	<u>0</u>	<u>(3,942)</u>
Income before income taxes	12,339	116,298
Provision for income taxes	<u>0</u>	<u>28,438</u>
Net income applicable to common stockholders	12,339	87,860
Proforma Adjustment (Note 1):		
Income tax provision	<u>4,700</u>	<u>28,887</u>
Proforma Net Income applicable to common stockholders	<u>\$ 7,639</u>	<u>\$ 58,973</u>
Earnings per common share	<u>\$.00</u>	<u>\$.03</u>
Proforma earnings per common share	<u>\$.00</u>	<u>\$.02</u>

See notes to consolidated financial statements.

NEW YORK LONG DISTANCE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	<u>For the three months ended June 30,</u>	
	<u>1996</u>	<u>1995</u>
CASH FLOWS FROM OPERATING ACTIVITIES	\$12,339	\$87,860
Net income (loss)		112,146
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		64,200
Depreciation	111,378	65,349
Amortization	273,532	4,000
Provision for losses on accounts receivable	254,040	9,900
Provision (benefit) for deferred income taxes	0	
Provision for employee stock incentive plan	12,688	
Changes in assets and liabilities, net of effect of business combinations:		
Accounts receivable	748,507	(676,915)
Other receivables	68,997	0
Other assets	(356,679)	(156,127)
Accrued line costs	(357,996)	16,388
Accounts payable	(11,125)	(631,835)
Accrued liabilities	176,030	(67,001)
Other	0	(10,611)
Net cash provided by (used in) operating activities	<u>931,711</u>	<u>(1,182,646)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(136,276)	(712,501)
Sale of short-term investments, net	0	762,508
Acquisition and related costs	(3,690,144)	(574,991)
Increase in intangible assets	(29,885)	(25,901)
Proceeds from sale of equipment	764,363	0
Net cash used in investing activities	<u>(3,091,942)</u>	<u>(550,885)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings	8,104,263	1,668,773
Principal payments on debt	(6,117,968)	(30,470)
Decrease in capital lease obligation	(13,545)	0
Net cash provided by (used in) financing activities	<u>1,972,750</u>	<u>1,638,303</u>
Net increase (decrease) in cash and cash equivalents	(187,481)	(95,228)
Effect of change in fiscal year-end	(28,852)	0
Cash and cash equivalents at beginning of period	<u>886,683</u>	<u>437,501</u>
Cash and cash equivalents at end of period	<u>\$ 670,350</u>	<u>\$ 342,273</u>

See notes to consolidated financial statements.

NETWORK LONG DISTANCE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - MERGER

On June 30, 1996, Network Long Distance, Inc. (Network), merged with Long Distance Telecom, Inc. dba Blue Ridge Telephone (Blue Ridge) and in connection therewith issued 337,058 shares of common stock for all of Blue Ridge's common stock (the Merger). The Merger was accounted for as a pooling-of-interests and, accordingly, the Network financial statements for periods prior to the Merger have been restated to include the results of Blue Ridge for all periods presented. Separate and combined results of operations are as follows:

	<u>For the three months ended June 30,</u> <u>1996</u>	<u>1995</u>
Revenues:		
Network	\$8,974,588	\$7,279,268
Blue Ridge	<u>993,798</u>	<u>808,125</u>
Combined	<u>\$9,968,386</u>	<u>\$8,087,393</u>
Income (loss) before income tax:		
Network	\$(32,470)	\$42,228
Blue Ridge	<u>44,809</u>	<u>74,070</u>
Combined	<u>\$ 12,339</u>	<u>\$116,298</u>

Prior to the Merger, Blue Ridge operated in the form of a partnership under the name "Telecommunications Ventures Limited Partnership No. 1 T/A Blue Ridge Telephone." On June 17, 1996, Blue Ridge changed to a corporate form of organization. Blue Ridge did not recognize income tax expense for the periods presented because its tax attributes flowed to its partners. The consolidated statements of income include a pro forma adjustment to reflect a provision for income taxes on a combined basis as if Blue Ridge had been subject to income tax.

Prior to the Merger, Blue Ridge utilized a December 31 fiscal year end. For purposes of the consolidated balance sheets, the March 31, 1996 and June 30, 1996 consolidated balance sheets of Network have been consolidated with the balance sheets of Blue Ridge as of December 31, 1995 and June 30, 1996. For the purposes of the consolidated statements of income and cash flows, the results of Network for the three months ended June 30, 1996 and 1995 have been combined with the results of Blue Ridge for the three months ended June 30, 1996 and March 31, 1995, respectively. The combined companies of Network and Blue Ridge are hereinafter referred to as the "Company."

NOTE 2 - BASIS OF PRESENTATION

The financial statements included herein are unaudited and have been prepared in accordance with generally accepted accounting principles for interim financial reporting and Securities and Exchange Commission regulations. Certain reclassification have been made to the balance sheet dated March 31, 1996 in order to conform to the balance sheet dated June 30, 1996. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the financial statements reflect all adjustments (of a normal and recurring nature) which are necessary to present fairly the financial position, results of operations and cash flows for the interim periods. These financial statements should be read in conjunction with the Annual Report of Network Long Distance, Inc. on Form 10-K for the year ended March 31, 1996 and the supplemental financial statements of Network Long Distance as filed in the Company's Form 8-K. The results for the three months ended June 30, 1996, are not necessarily indicative of the results that may be expected for the year ending March 31, 1997.

NOTE 3 - ACQUISITIONS

In May 1996, the Company purchased substantially all of the customer base of Universal Network Services, Inc. including the related accounts receivable valued at \$776,000 for approximately 243,750 shares of common stock valued at approximately \$1,825,000, and cash of approximately \$3,628,000. The Company has initially

allocated approximately \$2,100,000 to customer base and \$2,600,000 to goodwill with estimated useful lives of 7.5 years and 30 years, respectively. The following represents the proforma results of operations of the Company and Universal Network Services, Inc. for the three months ending June 30, 1996.

For the Three Months Ended

June 30, 1996

Revenues	\$10,469,000
Net Income (Loss)	73,320
E.P.S.	.02

The initial purchase price allocations for the fiscal year 1997 acquisitions were based on estimates as the Company is waiting for more detailed information concerning the current values of certain assets. As a result, the final purchase price allocations may differ from the presented estimates. To identify the intangibles acquired in these purchases, the Company employs a series of projections of the acquired customer bases. These projections utilize cash flow models and historic and projected attrition rates to quantify the values allocated to the various acquired intangibles and the related useful lives. Management believes such projections are achievable based on the current results of the Company's operations.

NOTE 4 - NET INCOME (LOSS) PER SHARE

Net income (loss) per share was calculated based on the following number of common and common equivalent shares outstanding: 3,702,447 and 2,706,994 for the three months ended June 30, 1996 and 1995, respectively.

NOTE 5 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

For the three months ended June 30, 1996 and 1995, interest paid amounted to \$105,089 and \$5,584, respectively. Income taxes paid by the Company during the three months ended June 30, 1996 and 1995 was \$0 and \$125,000, respectively. No provision for income taxes was made by the Company for the three month period ended June 30, 1996 since the Company had a loss prior to reflecting the results of the acquisition of Blue Ridge Telephone which itself was a taxable entity for only approximately 30 days during the period.

**MANAGEMENT'S DISCUSSION & ANALYSIS
OF FINANCIAL CONDITION
& RESULTS OF OPERATIONS**

The following is a discussion of the consolidated financial condition and results of operations of the Company for the three months ended June 30, 1996 and 1995 after giving effect to the merger with Long Distance Telecom, Inc., dba Blue Ridge Telephone (Blue Ridge), which was accounted for as a pooling of interests. The information should be read in conjunction with the Company's Consolidated Financial Statements and the Notes thereto.

Certain statements set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations, which are not historical facts, are forward-looking statements under the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties that could cause actual results to differ materially from those set forth in the forward-looking statements. Among the factors that could cause actual future results to differ materially are competitive pressures, the timing and technique used in marketing by third-party distributors and the market acceptance of certain services.

RESULTS OF OPERATIONS

The Company has expanded rapidly as an ongoing result of its dual focus on internal sales growth complimented by the addition of calling volume generated through acquisitions. As a consequence, revenues, which are principally derived from the number of minutes of use billed by the Company, have increased.

For the first fiscal quarter of 1996, revenues, inclusive of excise taxes and fees, were \$9,968,386, compared to \$8,087,393 for the first fiscal quarter of 1995, an increase of 23.3%. The rise in revenues reflects an overall increase in long distance calling volume resulting from the enhanced sales efforts of the Company's nationwide retail and agent marketing divisions; and from new calling traffic generated by the Company's expanded acquisition program. Revenues from the Company's wholesale division have declined due to management's effort to de-emphasize this higher-risk segment.

Cost for telecommunications for the three months ended June 30, 1996 were \$6,896,811, representing approximately 69.2% of revenue, compared to \$6,216,813, representing 76.9% of revenue for the same period in 1995. This continues a trend of steadily declining line costs and is a reflection of economies of scale resulting from the increased calling volume from both internal sales and acquisitions currently moving through the Company's recently expanded infrastructure, as well as the reduction in the lower margin wholesale traffic. Management anticipates this trend of declining line costs should continue as the Company moves its mix of calling traffic to its more profitable lines of business.

Selling, general and administrative expenses were \$2,315,197 for the three months ended June 30, 1996, representing 23.2% of revenue. This compares with SG&A expense of \$1,480,884 for the three months ended June 30, 1995, representing 18.3% of revenues. This increase is a result of the Company placing greater emphasis on the retail segment as opposed to the higher-risk, lower-margin wholesale segment. In this increase were billing service fees of \$75,000, agent commissions of \$340,000, state and local taxes of \$200,000 and merger related expenses of \$100,000, offset by a reduction of salaries by \$100,000. In addition, the provision for bad debt increased by \$160,000.

Depreciation and amortization expense was \$384,910 for the three months ended June 30, 1996, representing 3.9% of revenues. This is compared to \$176,346, or 2.2% of revenue, for the same period in 1995. The increases in such expenses were due primarily to depreciation of the additional equipment and amortization of customer bases and goodwill resulting from acquisitions by the Company.

Net income for the three months ended June 30, 1996 was \$12,339, compared to \$87,860 for the First fiscal quarter of 1995. This decrease in net income is attributable to the rise in Selling, general and administrative expenses and depreciation and amortization expense.

LIQUIDITY AND CAPITAL RESOURCES

For the three months ended June 30, 1996, the Company's cash flow provided by operating activities was \$931,711 compared to cash flow used in operating activities of \$1,182,646 for the three months ended June 30, 1995. The Company made significant capital investments in the first three months of fiscal year 1996, resulting in cash used in investing activities of \$3,091,942, compared to \$550,885 of cash used in investing activities for the three months ended June 30, 1995. These investments included customer base acquisitions, office furniture and fixtures and leasehold improvements related to the Company's new operations center. Included in investing activities is \$764,363 of proceeds from the sale of a DEX switch which is being leased back to the Company. The Company has financed these capital expenditures and acquisitions by utilizing its revolving line of credit.

The Company is in the process of establishing a long-term capital plan that calls for the utilization of a variety of financial vehicles and resources - including cash flow from operations, public debt and equity offerings, private placements and expanded bank lines of credit - to finance future capital expenditures, acquisitions and internal growth.

In May 1996, the Company entered into a \$14,250,000 credit facility with a bank which includes a revolving credit facility and term loan facility. Borrowings under the revolving credit portion of the facility may not exceed the lesser of \$11,000,000 minus any reserves the lender may deem eligible or 85% of eligible receivables. Borrowings under the revolver will bear interest at the prime rate plus 0.75%. Borrowings and unpaid interest on the revolving facility are repayable in full at maturity of the facility on June 1, 1999. The Company is allowed to borrow \$3,250,000 under the term loan facility. The term loan is repayable in 36 equal monthly installments of \$90,278 plus accrued interest. The term loan will bear interest at the prime rate plus 3%. Substantially all of the assets of the Company are pledged as collateral under the credit facility. \$3,953,878 was available as of June 30, 1996 on the line of credit.

PART II

Other Information

Item 1: Legal Proceedings

None

Item 2: Changes in Securities

None

Item 3: Default Upon Senior Securities

None

Item 4: Submission of Matters to a Vote of Security Holders

On May 24, 1996 a meeting of the shareholders of the Company was held in order to vote on the following matters:

Amend the Articles of Incorporation to increase the Company's authorized Common Stock from 10,000,000 shares, \$.0001 par value to 20,000,000 shares, \$.0001 par value.

To elect Leon L. Nowalsky, Russell J. Page, Timothy J. Sledz, and Dr. Joseph M. Edelman to the Board of Directors.

To ratify the re-election of Arthur Andersen LLP as independent auditors of the Company for the fiscal year ended March 31, 1997.

Item 5: Other Information

None

Item 6: Exhibits and Current Reports on Form 8-K

- (a) Exhibits - None.
- (b) Current reports on Form 8-K

During the quarter ended June 30, 1996, the Company filed a current report on Form 8-K dated May 31, 1996, filed on June 4, 1996, reporting under Item 2 Acquisition or Disposition of Assets. After the quarter ended June 30, 1996, the Company filed the following current reports: Current report on Form 8-K dated June 30, 1996 filed on July 8, 1996, reporting under Item 2 Acquisition or Disposition Assets, Current report on Form 8-K/A dated May 31, 1996 filed on August 1, 1996, reporting under Item 7 Financial Statements, and Current report on Form 8-K/A dated June 30, 1996 filed on August 5, 1996, reporting under Item 7 Financial Statements.

SIGNATURES

Pursuant to the requirements 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.

NETWORK LONG DISTANCE, INC.

Dated: August 13, 1996

By: Marc I. Becker
Marc I. Becker, Executive Vice President
and Chief Operating Officer

EXHIBIT "C"

**UNITED WATS, INC.
FINANCIAL INFORMATION**

**BALANCE SHEET, INCOME STATEMENT,
& STATEMENT OF CASH FLOW
DATED SEPTEMBER 30, 1996**

United Wats, Inc.
Balance Sheet
September 30, 1996

ASSETS

Current Assets		
Cash-Petty Cash	\$ 385.10	
Cash-Commerce Bank	754,589.89	
Cash-Milton National Bank	1,581.31	
Cash-Bank IV CD	4,256.34	
		<u>760,812.64</u>
Total Cash		
A/R-General	2,067.94	
A/R-ABX	268,324.66	
A/R-Sprint Cycle 16	2,790,428.71	
A/R-Sprint Cycle 17	122,309.22	
A/R-MCI Cycle 21	312,389.56	
A/R-MCI Cycle 22	25,700.35	
Allow. for Doubtful Accts	<71,500.00>	
		<u>3,449,720.44</u>
Total Accounts Receivable		
A/R-Commissions	84,281.32	
		<u>84,281.32</u>
Total Commissions Receivable		
Prepaid Expenses	5,090.00	
Prepaid Corp. Inc. Taxes	21,460.84	
		<u>26,550.84</u>
Total Prepaid Assets		
Property and Equipment		
Computer Software	12,255.91	
Computer Hardware	144,903.07	
Fixtures	5,340.53	
Furniture	49,055.67	
Leasehold Improvements	7,742.18	
Accum. Depreciation	<120,344.62>	
		<u>98,952.74</u>
Total Property and Equipment		
		<u>\$ 4,420,317.98</u>
Total Assets		

United Wats, Inc.
Balance Sheet
September 30, 1996

LIABILITIES AND CAPITAL

Current Liabilities		
A/P-General	\$ 69,446.23	
A/P-ABX	73,074.92	
A/P-Sprint	1,918,282.59	
A/P-Sprint Credits	<47,363.79>	
A/P-MCI	330,951.56	
A/P-MCI Credits	<13,258.38>	
	<u>2,331,133.13</u>	
Total Accounts Payable		<u>2,331,133.13</u>
Accrued 401K Payable	<2,708.45>	
Accrued Local Withholding	434.61	
Accrued Child Support	463.93	
Accrued Commissions - Assoc.	43,982.84	
Accrued Payroll	81,350.73	
	<u>123,523.66</u>	
Total Payroll Tax Payable		<u>123,523.66</u>
State & Local Excise Tax Payab	249,204.92	
Federal Excise Tax Payable	68,519.58	
	<u>317,724.50</u>	
Total Excise Tax Payable		<u>317,724.50</u>
Long-Term Liabilities		
Deferred Taxes	374,528.00	
	<u>374,528.00</u>	
Total Long-Term Liabilities		<u>374,528.00</u>
Total Liabilities		3,146,909.29
Capital		
Common Stock	20,000.00	
Add'l. Paid in Capital	46,265.42	
Retained Earnings	515,935.71	
Treasury Stock	<92,290.03>	
Net Income	783,497.59	
	<u>1,273,408.69</u>	
Total Capital		<u>1,273,408.69</u>
Total Liabilities & Capital	\$	<u><u>4,420,317.98</u></u>

United Wats, Inc.
Income Statement
For the Nine Months Ending September 30, 1996

	Current Month		Year to Date	
Revenues	175,084.45	10.24	1,543,164.55	11.60
ABX Shipping	24,500.00	1.43	161,500.00	1.21
MCI/RETEX	1,284,422.98	75.15	10,024,529.03	75.36
Sprint	204,074.81	11.94	1,365,485.99	10.26
MCI	12,596.72	0.74	77,584.85	0.58
Finance Charge Income	0.00	0.00	256.34	0.00
Interest Income	8,300.00	0.49	104,344.61	0.78
Commission Income	154.02	0.01	26,190.15	0.20
Miscellaneous Income				
Total Revenues	1,709,132.98	100.00	13,303,055.52	100.00
Cost of Sales	136,800.61	8.00	1,156,915.51	8.70
Cost of Sales:ABX	5,405.79	0.32	49,047.18	0.37
COGS:ABX Adjustments	949,395.88	55.55	7,283,634.65	54.75
Cost of Sales:Sprint	<12,751.01>	<0.75>	<47,363.79>	<0.36>
COGS:Sprint Credits	7,562.84	0.44	<30,741.12>	<0.23>
COGS:Sprint Adjustments	176,869.13	10.35	1,219,792.35	9.17
Cost of Sales:MCI	0.00	0.00	<13,258.38>	<0.10>
Cost of Sales:MCI Credits	<3,020.00>	<0.18>	<2,143.42>	<0.02>
COGS:MCI Adjustments				
Total Cost of Sales	1,260,263.24	73.74	9,615,882.98	72.28
Gross Profit	448,869.74	26.26	3,687,172.54	27.72
Expenses	22,476.30	1.32	172,576.72	1.30
Commissions-Employees	7,346.59	0.43	44,015.78	0.33
Marketing-Assoc Mailings	4,000.36	0.23	48,612.97	0.37
Marketing-Assoc Misc	3,696.97	0.22	22,821.43	0.17
Marketing-General	50,683.28	2.97	434,009.83	3.26
Payroll-Sales & Marketing	760.00	0.04	11,502.59	0.09
Sales Promotions	5,129.05	0.30	41,994.35	0.32
P/R Taxes-Sales & Marketing	8,296.75	0.49	76,335.41	0.57
Telephone-UWI LD				
Total Sales & Marketing Expenses	102,389.30	5.99	851,869.08	6.40
Accounting	378.00	0.02	16,428.60	0.12
Bad Debt	11,473.57	0.67	184,978.42	1.39
Bank Charges	289.57	0.02	2,311.95	0.02
Billing-Long Distance	32,419.33	1.90	241,713.51	1.82
Billing-ABX	3,718.38	0.22	10,909.52	0.08
Bonus	0.00	0.00	350,000.00	2.63
Collections Expense	0.00	0.00	2,559.99	0.02
Commissions-Associations	15,724.65	0.92	121,086.57	0.91
Computer Supplies	275.00	0.02	7,278.54	0.05
Contributions	160.00	0.01	341.00	0.00
Depreciation	2,500.00	0.15	22,500.00	0.17
Dues & Subscriptions	75.90	0.00	3,749.27	0.03
Equipment Leases	928.29	0.05	9,004.43	0.07
Insurance	0.00	0.00	6,648.00	0.05
Insurance-Dental	133.22	0.01	2,413.39	0.02
Insurance-Health	3,114.41	0.18	21,699.74	0.16
Insurance-Officer's Life	0.00	0.00	4,920.32	0.04
Interest	0.00	0.00	1,851.51	0.01

For Management Purposes Only

United Wats, Inc.
Income Statement
For the Nine Months Ending September 30, 1996

401(k) Matching	914.89	0.05	8,129.93	0.06
Legal	4,157.75	0.24	39,870.71	0.30
Meals	788.15	0.05	8,786.65	0.07
Miscellaneous	1,511.87	0.09	106,834.85	0.80
Office Supplies & Expense	6,092.19	0.36	33,787.14	0.25
Payroll	65,175.15	3.81	612,398.40	4.60
Payroll Service	234.15	0.01	2,473.00	0.02
Postage-Office	1,000.00	0.06	11,711.76	0.09
Rent	7,640.96	0.45	69,335.45	0.52
Repairs & Maintenance	384.30	0.02	3,227.69	0.02
Service Support	105.80	0.01	6,355.80	0.05
Shipping-Express Delivery	2,076.37	0.12	10,306.81	0.08
Shipping Agent Commissions	258.19	0.02	410.39	0.00
Tax Processing	2,901.08	0.17	24,885.33	0.19
Taxes & Licenses	3,474.04	0.20	20,036.40	0.15
Taxes-Payroll	4,563.07	0.27	55,369.44	0.42
Telephone-SW Bell	681.67	0.04	4,592.27	0.03
Telephone-Cellular	192.88	0.01	1,501.51	0.01
Temp Agency Fees	55.99	0.00	6,001.11	0.05
Travel, Meetings & Conventions	2,777.46	0.16	15,396.47	0.12
	<hr/>		<hr/>	
Total Operations Expenses	176,176.28	10.31	2,051,805.87	15.42
	<hr/>		<hr/>	
Net Income	\$ 170,304.16	9.96	\$ 783,497.59	5.89
	<hr/> <hr/>		<hr/> <hr/>	

United Wats, Inc.
Statement of Cash Flow
For the nine Months Ended September 30, 1996

	Current Month	Year to Date
Cash Flows from operating activities		
Net Income	\$ 170,304.16	\$ 783,497.59
Adjustments to reconcile net income to net cash provided by operating activities		
Accum. Depreciation	2,500.00	22,500.00
A/R-General	<653.40>	<2,067.94>
A/R-ABX	4,028.29	34,821.19
A/R-Sprint Cycle 16	9,671.20	<931,536.10>
A/R-Sprint Cycle 17	<122,309.22>	81,133.12
A/R-MCI Cycle 21	<31,831.34>	<312,389.56>
A/R-MCI Cycle 22	<25,700.35>	59,781.46
A/R-Commissions	<60.80>	<84,281.32>
Prepaid Expenses	0.00	353.00
Prepaid Corp. Inc. Taxes	<7,930.00>	57,766.16
A/P-General	12,144.13	<1,975.85>
A/P-ABX	<18,578.66>	<29,751.76>
A/P-Sprint	73,202.23	856,646.91
A/P-Sprint Credits	<12,751.01>	<47,363.79>
A/P-MCI	176,869.13	236,205.96
A/P-MCI Credits	0.00	<13,258.38>
Accrued 401K Payable	0.00	<2,708.45>
Accrued Local Withholding	155.60	212.94
Accrued Child Support	187.32	463.93
Accrued Commissions - Assoc.	14,905.55	17,522.29
Accrued Payroll	<93,014.10>	44,743.30
Total Adjustments	<19,165.43>	<13,082.89>
Net Cash provided by Operations	151,138.73	770,414.70
Cash Flows from investing activities		
Used For		
Computer Hardware	<1,872.40>	<29,201.32>
Furniture	0.00	<21,954.86>
Net cash used in investing	<1,872.40>	<51,156.18>
Cash Flows from financing activities		
Proceeds From		
State & Local Excise Tax Payab	77,059.46	584,131.19
Federal Excise Tax Payable	43,557.41	336,523.60
Used For		
Current Long-Term Debt	0.00	<56,104.53>
State & Local Excise Tax Payab	<62,873.61>	<494,500.24>
Federal Excise Tax Payable	<55,337.57>	<305,116.40>
Net cash used in financing	2,405.69	64,933.62
Net increase <decrease> in cash	\$ 151,672.02	\$ 784,192.14

United Wats, Inc.
Statement of Cash Flow
For the nine Months Ended September 30, 1996

Summary

Cash Balance at End of Period
Cash Balance at Beginning of P

\$	760,812.64	\$	760,812.64
	<609,140.62>		23,379.50
	<u> </u>		<u> </u>

Net Increase <Decrease> in Cash

\$	151,672.02	\$	784,192.14
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