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June 10, 1996

VIA FEDERAL EXPRESS

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

960721-TI

Re: Econophone, Inc.

Dear Sir/Madam:

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

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

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

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

Sincerely,



Lance J.M. Steinhart, Esq.
Attorney for Econophone, Inc.

Enclosures
cc: Mr. Monte Banash
LJS/as

Received with filing and
to Fiscal for deposit.
Forward a copy of check
with proof of deposit.
Initial of person who forwarded check:




DOCUMENT NUMBER-DATE

06292 JUN 12 96

FPSC-RECORDS/REPORTING



ENCLOSURES



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

DOCUMENT NUMBER-DATE

06292 JUN 12 1980

FPSC-RECORDS/REPORTING

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

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

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

- Facilities based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.
- Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.
- Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.
- Switchless rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.
- Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers. Then offers the resold service by enrolling unaffiliated customers.

3. Name of corporation, partnership, cooperative, joint venture or sole proprietorship:
Econophone, Inc.
4. Name under which the applicant will do business (fictitious name, etc.):
Not applicable.
5. National address (including street name & number, post office box, city, state and zip code).
1450 37th Street
Brooklyn, New York 11218
6. Florida address (including street name & number, post office box, city, state and zip code):
None.
7. Structure of organization;
- | | |
|--|---|
| <input type="checkbox"/> Individual | <input checked="" type="checkbox"/> Corporation |
| <input type="checkbox"/> Foreign Corporation | <input type="checkbox"/> Foreign Partnership |
| <input type="checkbox"/> General Partnership | <input type="checkbox"/> Limited Partnership |
| <input type="checkbox"/> Other, _____ | |
8. If applicant is an individual or partnership, please give name, title and address of sole proprietor or partners. Not applicable.
- (a) Provide proof of compliance with the foreign limited partnership statute (Chapter 620.169 FS), if applicable.
- (b) Indicate if the individual or any of the partners have previously been:
- (1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings.
- (2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

9. If incorporated, please give:

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

Corporate charter number: F9600C002774

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

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

Not applicable.

Fictitious name registration number: _____

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

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

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

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

(a) The application; Lance Steinhart, Attorney
1100 Abernathy Road, Suite 1112
Atlanta, Georgia 30328
(770) 698-9200

(b) Official Point of Contact for the ongoing operations of the company;

Monte Banash, Assistant Secretary
1450 37th Street
Brooklyn, New York 11218
(718) 437-8600

(c) **Tariff;** Lance J.M. Steinhart - See (a) above.

(d) **Complaints/Inquiries from customers;**

John Freeman, Customer Service Manager

1450 37th Street

Brooklyn, New York 11218

(800) 454-7091

11. **List the states in which the applicant:**

(a) **Has operated as an interexchange carrier.**

New York

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

All States except those listed in (c) below.

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

Texas, Michigan, New York, Oregon, New Jersey

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

None

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

None

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

None

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

None

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

13. **Do you have a marketing program?**

Yes.

14. Will your marketing program:

- Pay commissions?
- Offer sales franchises?
- Offer multi-level sales incentives?
- Offer other sales incentives?

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

Sales commissions will be paid to sales agents for the company.

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

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

17. Please provide the following (if applicable):

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

(b) Name and address of the firm who will bill for your service.
Not applicable.

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

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

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

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

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

MTS for pay telephone service providers

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

800 Service (Toll free)

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

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

Travel Service
 Method of access is 950
 Method of access is 800

900 service

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

Services included are:

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

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

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

21. X Other:

- A. See attached Financial Statements as of June 30, 1995
- B. See attached Resumes of Applicant's key employees.
- C. Applicant will use the network services of its underlying carrier to provide service to customers in the State of Florida.

ATTACHMENTS:

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

**** APPENDIX B ****

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

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

- () The applicant will not collect deposits nor will it collect payments for service more than one month in advance.
- () The applicant will file with the Commission and maintain a surety bond in an amount equal to the current balance of deposits and advance payments in excess of one month. (Bond must accompany application.)

UTILITY OFFICIAL:



Signature

6/10/96
Date

Lance Steinhart

Regulatory Counsel

Title

770.698.9200

Telephone No.

**** APPLICANT ACKNOWLEDGEMENT STATEMENT ****

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of \$50 is required.
2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.
3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.
4. **APPLICATION FEE:** A non-refundable application fee of \$250.00 must be submitted with the application.
5. **RECEIPT AND UNDERSTANDING OF RULES:** I acknowledge receipt and understanding of the Florida Public Service Commission's Rules and Orders relating to my provision of interexchange telephone service in Florida. I also understand that it is my responsibility to comply with all current and future Commission requirements regarding AAV service.
6. **ACCURACY OF APPLICATION:** By my signature below, I the undersigned owner or officer of the named utility in the application, attest to the accuracy of the information contained in this application and associated attachments. I have read the foregoing and declare that to the best of my knowledge and belief, the information is a true and correct statement. Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree.

UTILITY OFFICIAL:


Signature

6/10/96
Date

Lance Steinhart

Regulatory Counsel
Title

770.698.9200
Telephone No.

TITLE SHEET

FLORIDA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service or facilities for Telecommunications Services furnished by Econophone, Inc. ("ECI"), with principal offices at 1450 37th Street, Brooklyn, NY 11218. This tariff applies for services furnished within the State of Florida. This tariff is on file with the Florida Public Service Commission, and copies may be inspected, during normal business hours, at the company's principal place of business.

Issued: June 10, 1996
By:

Effective: _____
Alfred West, President
Econophone, Inc.
1450 37th Street
Brooklyn, NY 11218

CONCURRING, CONNECTING OR
OTHER PARTICIPATING CARRIERS AND
BILLING AGENTS

1. Concurring Carriers - None
2. Connecting Carriers - None
3. Other Participating Carriers - None
4. Billing Agents - None

Issued: June 10, 1996

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CHECK SHEET

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

<u>SHEET</u>	<u>REVISION</u>
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
16	Original
17	Original
18	Original
19	Original
20	Original
21	Original
22	Original
23	Original
24	Original
25	Original
26	Original
27	Original
28	Original
29	Original
30	Original
31	Original
32	Original

* New or Revised Sheet

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By:

Alfred West, President
Econophone, Inc.
1450 37th Street
Brooklyn, NY 11218

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TARIFF FORMAT

A. Sheet Numbering: Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between pages 11 and 12 would be page 11.1.

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

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

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

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

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SYMBOLS

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

- D - Delete or Discontinue
- I - Change Resulting In An
Increase to A Customer's Bill
- M - Moved from Another Tariff Location
- N - New
- R - Change Resulting In A
Reduction to A Customer's Bill
- T - Change in Text or Regulation
But No Change In Rate or Charge

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SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

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

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

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

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

Company or ECI - Used throughout this tariff to mean Econophone, Inc., a New York corporation.

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

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

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

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1450 37th Street
Brooklyn, NY 11218

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

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

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

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SECTION 2 - RULES AND REGULATIONS**2.1 Undertaking of the Company**

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

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

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- 2.1.2 The rates and regulations contained in this tariff apply only to the resale services furnished by ECI and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other common carriers for use in accessing the services of ECI.
- 2.1.3 The Company reserves the right to limit the length of communications, to discontinue furnishing services, or limit the use of service necessitated by conditions beyond its control, including, without limitation: lack of satellite or other transmission medium capacity; the revision, alteration or repricing of the Underlying Carrier's tariffed offerings; or when the use of service becomes or is in violation of the law or the provisions of this tariff.

2.2 Use of Services

- 2.2.1 ECI's services may be used for any lawful purpose consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of services, subject to any limitations set forth in this Section 2.2.
- 2.2.2 The use of ECI's services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another or in such a way as to unreasonably interfere with use by others is prohibited.
- 2.2.3 The use of ECI's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, schemes, false or invalid numbers, or false calling or credit cards is prohibited.
- 2.2.4 ECI's services are available for use twenty-four hours per day, seven days per week.

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-
- 2.2.5 ECI does not transmit messages, but the services may be used for that purpose.
- 2.2.6 ECI's services may be denied for nonpayment of charges or for other violations of this tariff.
- 2.2.7 Customers shall not use the service provided under this tariff for any unlawful purpose.
- 2.2.8 The Customer is responsible for notifying the Company immediately of any unauthorized use of services.

2.3 Liability of the Company

- 2.3.1 The Company shall not be liable for any claim, loss, expense or damage for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff, if caused by the Underlying Carrier, an act of God, fire, war, civil disturbance, act of government, or due to any other causes beyond the Company's control.
- 2.3.2 The Company shall not be liable for, and shall be fully indemnified and held harmless by the Customer against any claim, loss, expense, or damage for defamation, libel, slander, invasion, infringement of copyright or patent, unauthorized use of any trademark, trade name or service mark, proprietary or creative right, or any other injury to any person, property or entity arising out of the material, data or information transmitted.
- 2.3.3 No agent or employee of any other carrier or entity shall be deemed to be an agent or employee of the Company.

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- 2.3.4 The Company's liability for damages, resulting in whole or in part from or arising in connection with the furnishing of service under this tariff, including but not limited to mistakes, omissions, interruptions, delays, errors, or other defects or misrepresentations shall not exceed an amount equal to the charges provided for under this tariff for the long distance call for the period during which the call was affected. No other liability in any event shall attach to the Company.
- 2.3.5 The Company shall not be liable for and shall be indemnified and saved harmless by any Customer or by any other entity from any and all loss, claims, demands, suits, or other action or any liability whatsoever, whether suffered, made, instituted, or asserted by any Customer or any other entity for any personal injury to, or death of, any person or persons, and for any loss, damage, defacement or destruction of the premises of any Customer or any other entity or any other property whether owned or controlled by the Customer or others.
- 2.3.6 The Company shall not be liable for any indirect, special, incidental, or consequential damages under this tariff including, but not limited to, loss of revenue or profits, for any reason whatsoever, including the breakdown of facilities associated with the service, or for any mistakes, omissions, delays, errors, or defects in transmission occurring during the course of furnishing service.
- 2.3.7 The remedies set forth herein are exclusive and in lieu of all other warranties and remedies, whether express, implied, or statutory, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

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2.4 Responsibilities of the Customer

- 2.4.1 The Customer is responsible for placing any necessary orders and complying with tariff regulations. The Customer is also responsible for the payment of charges for services provided under this tariff.
- 2.4.2 The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by ECI on the Customer's behalf.
- 2.4.3 If required for the provision of ECI's services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to ECI.
- 2.4.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to ECI and the Customer when required for ECI personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of ECI's services.
- 2.4.5 The Customer shall cause the temperature and relative humidity in the equipment space provided by Customer for the installation of ECI's equipment to be maintained within the range normally provided for the operation of microcomputers.
- 2.4.6 The Customer shall ensure that the equipment and/or system is properly interfaced with ECI's facilities or services, that the signals emitted into ECI's network are of the proper mode, bandwidth, power and signal level for the intended use of the subscriber and in compliance with criteria set forth in this tariff, and that the signals do not

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Econophone, Inc.
1450 37th Street
Brooklyn, NY 11218**

damage equipment, injure personnel, or degrade service to other Customers. If the Federal Communications Commission or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with interstate communications service, ECI will permit such equipment to be connected with its channels without the use of protective interface devices. If the Customer fails to maintain the equipment and/or the system properly, with resulting imminent harm to ECI equipment, personnel or the quality of service to other Customers, ECI may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, ECI may, upon written notice, terminate the Customer's service.

- 2.4.7 The Customer must pay ECI for replacement or repair of damage to the equipment or facilities of ECI caused by negligence or willful act of the Customer or others, by improper use of the services, or by use of equipment provided by Customer or others.
- 2.4.8 The Customer must pay for the loss through theft of any ECI equipment installed at Customer's premises.
- 2.4.9 If ECI installs equipment at Customer's premises, the Customer shall be responsible for payment of any applicable installation charge.
- 2.4.10 The Customer must use the services offered in this tariff in a manner consistent with the terms of this tariff and the policies and regulations of all state, federal and local authorities having jurisdiction over the service.

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Effective:

By:

Alfred West, President
Econophone, Inc.
1450 37th Street
Brooklyn, NY 11218

2.5 Cancellation or Interruption of Services

- 2.5.1 Without incurring liability, upon five (5) working days' (defined as any day on which the company's business office is open and the U.S. Mail is delivered) written notice to the Customer, ECI may immediately discontinue services to a Customer or may withhold the provision of ordered or contracted services:
- 2.5.1.A For nonpayment of any sum due ECI for more than thirty (30) days after issuance of the bill for the amount due,
- 2.5.1.B For violation of any of the provisions of this tariff,
- 2.5.1.C For violation of any law, rule, regulation, policy of any governing authority having jurisdiction over ECI's services, or
- 2.5.1.D By reason of any order or decision of a court, public service commission or federal regulatory body or other governing authority prohibiting ECI from furnishing its services.
- 2.5.2 Without incurring liability, ECI may interrupt the provision of services at any time in order to perform tests and inspections to assure compliance with tariff regulations and the proper installation and operation of Customer and ECI's equipment and facilities and may continue such interruption until any items of noncompliance or improper equipment operation so identified are rectified.

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- 2.5.3 Service may be discontinued by ECI without notice to the Customer, by blocking traffic to certain countries, cities or NXX exchanges, or by blocking calls using certain Customer authorization codes, when ECI deems it necessary to take such action to prevent unlawful use of its service. ECI will restore service as soon as it can be provided without undue risk, and will, upon request by the Customer affected, assign a new authorization code to replace the one that has been deactivated.
- 2.5.4 The Customer may terminate service upon thirty (30) days written notice for the Company's standard month to month contract. Customer will be liable for all usage on any of the Company's service offerings until the Customer actually leaves the service. Customers will continue to have Company usage until the Customer notifies its local exchange carrier and changes its long distance carrier. Until the Customer so notifies its local exchange carrier, it shall continue to generate and be responsible for long distance usage.

2.6 Credit Allowance

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

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- wiring or equipment, if any, furnished by the Customer and connected to the Company's facilities.
- 2.6.2 No credit is allowed in the event that service must be interrupted in order to provide routine service quality or related investigations.
- 2.6.3 Credit for failure of service shall be allowed only when such failure is caused by or occurs due to causes within the control of the Company or in the event that the Company is entitled to a credit for the failure of the facilities of the Company's Underlying Carrier used to furnish service.
- 2.6.4 Credit for interruption shall commence after the Customer notifies the Company of the interruption or when the Company becomes aware thereof, and ceases when service has been restored.
- 2.6.5 For purposes of credit computation, every month shall be considered to have 720 hours.
- 2.6.6 No credit shall be allowed for an interruption of a continuous duration of less than two hours.
- 2.6.7 The Customer shall be credited for an interruption of two hours or more at the rate of 1/720th of the monthly charge for the facilities affected for each hour or major fraction thereof that the interruption continues.

Credit Formula:

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

"A" - outage time in hours

"B" - monthly charge for affected activity

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2.7 Restoration of Service

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

2.8 Deposit

The Company does not required deposits to establish service for a Customer.

2.9 Advance Payments

ECI reserves the right to collect an advance payment from Customers in an amount not to exceed one (1) month's estimated charges as an advance payment for service. This will be applied against the next month's charges, and if necessary, a new advance payment will be collected for the next month.

2.10 Payment and Billing

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

2.10.2 The customer is responsible for payment of all charges for services furnished to the Customer, as well as to all persons using the Customer's codes, exchange lines, facilities, or equipment, with or without the knowledge or consent of the Customer. The security of the Customer's Authorization Codes, presubscribed exchange lines, and direct connect facilities is the responsibility of the Customer. All calls placed using direct connect facilities, presubscribed exchange

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lines, or Authorization Codes will be billed to and must be paid by the Customer. Recurring charges and non-recurring charges are billed in advance. The initial billing may, at Company's option, also include one month's estimated usage billed in advance. Thereafter, charges based on actual usage during a month and any accrued interest will be billed monthly in arrears.

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

2.11 Collection Costs

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

2.12 Taxes

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

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2.13 Late Charge

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

2.14 Returned Check Charge

A fee of \$15.00 will be charged whenever a check or draft presented for payment for service is not accepted by the institution on which it is written.

2.15 Location of Service

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

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SECTION 3 - DESCRIPTION OF SERVICE3.1 Computation of Charges

- 3.1.1 The total charge for each completed call may be a variable measured charge dependent on the duration, distance and time of day of the call. The total charge for each completed call may also be dependent only on the duration of the call, i.e. a statewide flat rate per minute charge. The variable measured charge is specified as a rate per minute which is applied to each minute. 1+ Dialing and 800 Service calls are measured in six second increments. Travel Cards and Prepaid Calling Cards are measured in one minute increments. All calls are rounded up to the next whole increment.
- 3.1.2 Usage charges for all mileage sensitive products are based on the airline distance between rate centers associated with the originating and terminating points of the call. The airline mileage between rate centers is determined by applying the formula below to the vertical and horizontal coordinates associated with the rate centers involved. The Company uses the rate centers that are produced by Bell Communications Research in the NPA-NXX V&H Coordinates Tape and Bell's NECA Tariff No. 4.

Formula:

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

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

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

$$\sqrt{\frac{(8351-4997)^2 + (529-1406)^2}{10}}$$

Distance equals 1,097 miles

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

3.2 Customer Complaints and/or Billing Disputes

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

1450 37th Street
Brooklyn, NY 11218
(800) 454-7091

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

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

3.3 Level of Service

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

3.4 Billing Entity Conditions

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

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3.5 Service Offerings**3.5.1 1+ Dialing**

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

3.5.2 Travel Cards.

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

3.5.3 800 Service (Toll free).

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

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3.5.4 ECI Prepaid Calling Cards.

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

All calls must be charged against an ECI Prepaid Calling Card that has a sufficient Telecom Unit balance. A Customer's call will be interrupted with an announcement when the balance is about to be depleted. Such announcement will occur when two (2) minutes and when thirty seconds remain before the balance will be depleted, based upon the terminating location of the call.

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

A card will have no expiration date, however, after 6 months after activation, a \$1 per month service charge will be assessed on all cards.

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

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

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

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

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

3.5.5 Local Calls and Directory Assistance.

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

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3.5.6 Specialized Pricing Arrangements.

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

3.5.7 Emergency Call Handling Procedures

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

3.5.8 Promotional Offerings

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

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SECTION 4 - RATES**4.1 1 + Dialing**

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

\$0.15

4.2 Travel Cards

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

\$0.29

4.3 800 Service

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

\$0.16

4.4 Prepaid Calling Cards

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

Price Per Telecom Unit

\$.35

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

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4.5 Rate Periods

Day: 8 a.m. - 5 p.m.*, Monday - Friday
Evening: 5 p.m. - 11 p.m.*, Sunday - Friday
Night/ 11 p.m. - 8 a.m.*, Sunday - Friday
Weekend: & All Day Saturday

* To, but not including

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

4.6 Directory Assistance Charges

A charge per number requested will be \$.65

4.7 Returned Check Charge

\$15.00

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4.8 Rates Applicable for Hearing/Speech Impaired Persons

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

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

Florida Public Service Commission Rules and Regulations require carriers void charges for the first 50 directory assistance calls initiated per billing cycle by handicapped persons. Such persons must contact ECI for credit on their directory assistance calls.

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By:

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SWITCHTEL COMMUNICATIONS CORP.

FINANCIAL STATEMENTS

AS OF JUNE 30, 1995

TOGETHER WITH ACCOUNTANTS' REVIEW REPORT

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ACCOUNTANTS' REVIEW REPORT

To the Stockholders of
Switchtel Communications Corp.:

We have reviewed the accompanying balance sheet of Switchtel Communications Corp. (a New York S Corporation) as of June 30, 1995, and the related statements of operations and retained earnings and cash flows for the six months then ended June 30, 1995, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Company.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the financial statements referred to above in order for them to be in conformity with generally accepted accounting principles.

New York, New York
January 2, 1996

SWITCHTEL COMMUNICATIONS CORP.

BALANCE SHEET

JUNE 30, 1995

ASSETS

CURRENT ASSETS:

Cash	\$ 9,190
Accounts receivable (net of allowance for doubtful accounts of \$516,226)	3,145,535
Unbilled accounts receivable	998,777
Due from agents	348,289
Notes receivable	92,005
Prepaid expenses and other current assets	29,337
Total current assets	<u>4,623,133</u>

PROPERTY AND EQUIPMENT (net of accumulated depreciation and amortization of \$399,707)	1,747,246
--	-----------

OTHER ASSETS	178,125
Total assets	<u>\$ 6,548,504</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Line of credit	\$ 190,000
Accounts payable and accrued expenses	3,993,091
Current maturities of long-term debt	448,301
Taxes payable	179,979
Current maturities of notes payable - related party	8,387
Total current liabilities	<u>4,819,758</u>

LONG-TERM LIABILITIES:

Long-term debt	291,613
Notes payable - related party	334,631
Other long-term liabilities	5,000
Total liabilities	<u>5,451,007</u>

STOCKHOLDERS' EQUITY:

Capital stock	200
Additional paid-in capital	393,683
Retained earnings	703,619
Total stockholders' equity	<u>1,097,502</u>
Total liabilities and stockholders' equity	<u>\$ 6,548,504</u>

The accompanying accountants' review report and the notes to financial statements should be read in conjunction with this balance sheet.

SWITCHTEL COMMUNICATIONS CORP.

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

FOR THE SIX MONTHS ENDED JUNE 30, 1995

NET SALES	\$ 10,068,556
COST OF SALES	<u>7,559,945</u>
Gross profit	2,508,611
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,423,400
DEPRECIATION AND AMORTIZATION	<u>151,391</u>
Loss from operations	(66,180)
OTHER INCOME	18,393
FOREIGN CURRENCY TRANSACTION GAIN, net	137,078
INTEREST EXPENSE, net	<u>(77,484)</u>
Income before provision for income taxes	11,807
PROVISION FOR INCOME TAXES	<u>2,405</u>
Net income	9,402
RETAINED EARNINGS, beginning of period	<u>694,217</u>
RETAINED EARNINGS, end of period	<u>\$ 703,619</u>

The accompanying accountants' review report and the notes to financial statements should be read in conjunction with this statement.

SWITCHTEL COMMUNICATIONS CORP.

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1995

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$	9,402
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization		151,391
Bad debt expense		247,496
(Increase) in accounts receivable		(1,564,472)
(Increase) in unbilled accounts receivable		(540,379)
(Increase) in due from agent		(259,671)
(Increase) in notes receivables		(27,005)
Decrease in prepaid expenses and other assets		9,310
Increase in accounts payable and accrued expenses		2,250,382
Increase in taxes payable		95,677
Increase in other long-term liabilities		<u>5,000</u>
Net cash provided by operating activities		<u>377,131</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment		<u>(607,964)</u>
Net cash used in investing activities		<u>(607,964)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from long-term debt		1,361,709
Repayments of long-term debt		(1,321,036)
Repayments of loans payable-related party		(4,416)
Proceeds from equipment loans		196,316
Repayments of equipment loans		<u>(78,075)</u>
Net cash provided by financing activities	-	<u>154,498</u>
Decrease in cash	-	(76,335)

CASH, beginning of year		<u>85,525</u>
CASH, end of year	\$	<u>9,190</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the year for-		
Interest	\$	76,401
Income taxes		4,330

The accompanying accountants' review report and notes to financial statements should be read in conjunction with this statement

SWITCHTEL COMMUNICATIONS CORP.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Switchtel Communications Corp. (the "Company") is a long-distance telephone company. The Company primarily leases long-distance telephone lines and resells them to domestic and international customers primarily in the United Kingdom and Belgium. The Company provides the long-distance service at a significantly lower rate than its long-distance competitors. In addition, the Company maintains a competitive edge by providing services such as custom communication systems.

Revenue Recognition

The Company records revenue based on minutes of traffic processed.

Property and Equipment

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the respective assets, which range from three to fifteen years. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the lease term or estimated useful lives of the improvements.

Income Taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Additionally, the Company has elected under New York State tax laws to be taxed as an "S" Corporation. Under the federal and state tax laws, the Company does not pay federal corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal and state income taxes on their respective shares of the Company's taxable income. The Company is required to file a New York City corporate tax return on an annual basis. In addition, the Company is liable for New York State taxes as a telephone and transmission corporation and for New York City General Corporation Tax and the Utilities Tax (Note 9).

Accounts Receivable

The Company's policy is to provide an allowance for accounts that are believed to be uncollectible. The allowance is based on the Company's experience in collecting these accounts receivable.

Suppliers

Sprint Communication, Inc. ("Sprint"), the Company's principal supplier of telephone lines, has a recorded lien on all accounts receivable of the Company. This lien is subordinated to the debt owed to Israel Discount Bank of New York (Note 8). For the six months ended June 30, 1995 cost of sales includes approximately \$3.9 million in expenses to Sprint.

Foreign Currency Transactions

Sales and related expenses for foreign divisions are translated using the average exchange rate during the period. Related accounts receivable are translated using the balance sheet date rate of exchange. Exchange gains or losses are reflected in net income for the period ended June 30, 1995

2. UNBILLED ACCOUNTS RECEIVABLE

Amounts included in the financial statements which relate to unbilled sales for the period ended June 30, 1995 have been separately disclosed as unbilled accounts receivable of \$998,777

3. DUE FROM AGENTS

The Company has divisions in foreign countries, primarily England and Belgium. In these countries, the Company has agents that service the customers directly and handle the collection of accounts receivable. At June 30, 1995, these agents had received approximately \$348,000 of cash receipts that had not yet been remitted to the Company. Accordingly, this amount has been included in the accompanying financial statements as amounts due from agents.

4. NOTES RECEIVABLE

In July 1994, the Company entered into a unsecured noninterest-bearing note receivable with a vendor in the amount of \$65,000, due on demand.

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 1995:

Equipment	\$ 2,055,249
Furniture and fixtures	12,700
Leasehold improvements	<u>79,004</u>
	2,146,953
Less- Accumulated depreciation and amortization	<u>(399,707)</u>
Property, plant and equipment, net	<u>\$ 1,747,246</u>

6. OTHER ASSETS

Other assets consist primarily of a security deposit with NYNEX, Inc. in the amount of \$121,446 and a rent security deposit for its premises in the amount of \$41,525.

7. CONCENTRATION OF CREDIT RISK

The Company's financial instruments subject to credit risk are trade accounts receivable, which are generally diversified due to the large number of customers comprising the Company's customer base and their dispersion across many different industries and geographies. Generally, the Company does not require collateral or other security to support customer receivables. The Company has the following significant sales and concentrations of financial instruments subject to credit risk:

	<u>Sales</u>	<u>Accounts Receivable Including Unbilled Accounts Receivables</u>
England	\$ 4,875,854	\$ 2,191,049
Belgium	1,507,000	774,502
United States	1,587,807	711,721
Israel	1,357,169	444,429
Other	740,726	538,837
	<u>\$ 10,068,558</u>	<u>\$ 4,660,538</u>

Management does not anticipate incurring losses on its trade receivables in excess of established allowances based upon factors surrounding the credit risk of specific customers, historical trends and other information.

At June 30, 1995, the Company had one customer that accounted for approximately 13% of sales and approximately 10% of accounts receivable.

8. LONG-TERM DEBT AND
SHORT-TERM BORROWINGS

At June 30, 1995, the Company was obligated under the following debt agreements:

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Line of Credit (a)	\$ 190,000	\$ -	\$ 190,000
Installment note (b)	116,400	126,900	243,300
Installment note (c)	208,373	-	208,373
Equipment loan (d)	107,870	154,274	262,144
Equipment note (e)	15,658	10,439	26,097
	<u>\$ 638,301</u>	<u>\$ 291,613</u>	<u>\$ 929,914</u>

(a) The Company has available a \$300,000 line of credit from Israel Discount Bank of New York of which \$190,000 was outstanding at June 30, 1995. Interest is charged at the rate of 11% per annum. The line of credit is secured by the Company's assets, as well as the personal guarantee of the stockholders.

- (b) In July 1994, the Company entered into an installment note with Israel Discount Bank of New York in the principal amount of \$350,000 at a variable interest rate of 2-1/2% above prime. The installment note matures on July 15, 1997 and is to be repaid in thirty-six successive monthly installments of \$9,700 each, except the final monthly installment which shall be the unpaid balance. At June 30, 1995, the principal balance outstanding was \$243,300 at a rate of 11% (prime 8-1/2% + 2-1/2%). At June 30, 1995, the Company was in compliance with the requirement to maintain a compensating balance of 10% of the outstanding debt.
- (c) In February 1995, the Company converted \$350,677 of accounts payable with one vendor into a promissory note at an interest rate of 9%, payable in twelve successive monthly installments, maturing on January 3, 1996. At June 30, 1995, the outstanding balance was \$208,373.
- (d) In December 1994, the Company entered into a note payable for the purchase of cable lines, in the principal amount of \$170,000 at an interest rate of 12%. The equipment loan matures in January 1998 and is to be repaid in 12 successive quarterly installments of \$16,941 each. In January 1995, the Company entered into a note payable with the same vendor for the purchase of additional cable lines in the principal amount of \$165,000 at an interest rate of 12%. This equipment loan matures in September 1997 and is to be repaid in 11 successive quarterly installments of \$16,441 each. At June 30, 1995, the balance outstanding was \$129,116.
- (e) In April 1995, the Company entered into a note payable for the purchase of computer equipment in the principal amount of \$31,316 at an interest rate of 9.5%. The equipment loan matures in March 1999 and is to be repaid in 24 equal monthly installments of \$1,035. At June 30, 1995, the balance outstanding was \$26,097.

The aggregate principal payments for the long-term portion of these debts subsequent to June 30, 1995 for each annual periods ending June 30 are as follows:

1996	—	\$ 248,390
1997		43,223
1998 and thereafter		-

9. TAXES

As a telephone carrier and reseller doing business in New York State, the Company is required to file annual telephone and transmission tax returns in compliance with New York State tax laws. These returns include taxes on net worth, gross sales and gross profit. In addition, each type of tax requires an additional tax surcharge form to be filed with the return.

10. STOCKHOLDERS' EQUITY

The Company has authorized, issued and outstanding 200 shares of common stock, with par value of one dollar.

The Company, under Internal Revenue Code Section 351, reorganized as of January 1, 1993. All of the assets and liabilities of Econophone, Inc. were transferred to Switchtel Communications Corp at their net book value. The stockholders of Switchtel Communications Inc. hold ownership percentages identical to their ownership percentages in Econophone, Inc. The remaining equity was deemed as paid-in capital on the books of Switchtel Communications Corp.

11. NOTES PAYABLE - RELATED PARTY

The Company has notes payable in the amount of \$200,000, \$108,000 and \$35,018 at June 30, 1995 due to various related parties. These notes are unsecured, and accrue interest at the rate of 9%, 18% and 12%, respectively, per annum. The \$200,000 and \$108,000 notes mature on December 8, 1997 and November 15, 1998, respectively. The \$35,018 note payable matures August 1, 1998 and is to be repaid in sixty successive monthly installments of \$1,112 each. At June 30, 1995, the Company included \$8,387 of this amount as current maturities of notes payable and the balance remains in long-term notes payable.

12. COMMITMENTS AND CONTINGENCIES

The Company has various lease agreements for offices, automobiles and other property. The minimum future obligations for these leases for each of the annual periods ending June 30, are as follows:

1996	\$ 212,561
1997	199,083
1998	192,247
1999	140,306
2000	104,480
Thereafter	-

The rent expense for these leases for the six months ended June 30, 1995 is \$43,262. In July 1995, the Company moved to a larger facility in Brooklyn, New York. As a result, the Company entered into a lease for the new facility expiring on June 30, 2000. The minimum future obligations for this lease are included above.

In addition, foreign divisions' rent expense for the six months ended June 30, 1995 is approximately \$34,000. These leases are on a month-to-month basis.

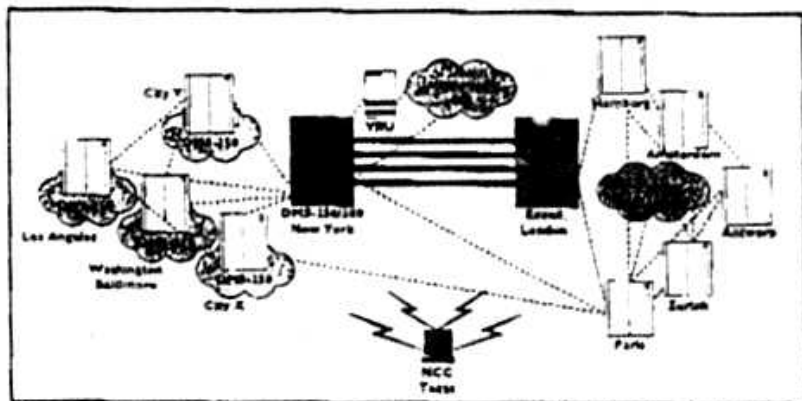
13. SUBSEQUENT EVENTS

In November 1995, the Company entered into negotiations with a telecommunications vendor for the purchase of a switching equipment. As a result, the Company intends to finance equipment purchases aggregating approximately \$2,000,000. Upon formal completion of an agreement for this purchase, the Company will be carrying the asset and related debt on its books.



ECONO phone

Intelligent controllers, the NCC can create comprehensive tables for look-ahead routing, complex cross-platform database queries, and synchronized security across the network. Customized network security features, developed to safeguard the debit and calling card operations, enable the NCC to maintain real-time control over network fraud at the local switch level, and minimize unauthorized access to international facilities. See the network diagram below.



MANAGEMENT

Econophone is a lean, entrepreneurial organization with a total staff of approximately 60. Revenue, traffic and operational expansion in the near term will demand a significant increase in the size of the firm in the near term.

The executive management team at Econophone combines the acumen of successful business experience in other sectors with highly qualified strategic and technical assistance from industry insiders.

Alfred West, 34, is President and Chief Operating Officer. Prior to founding Econophone, Mr. West managed several textile manufacturing and trading companies related to the West family's international business interests, concentrating primarily in the U.S.A., Germany and the UK. He holds degrees in divinity studies from Mercer University and Lakewood University (Lakewood, NJ).

Stephen West, 45, is a member of the board of directors and an Econophone principal. Mr. West is one of the founding partners of SO Metals, Inc. (New York), one of the largest refiners and reprocessors of precious metals in the New York/New Jersey metropolitan area. He also has substantial commercial and residential real estate holdings. Mr. West has a B.S. in management engineering from New York Technical University and is completing graduate studies in accounting at Baruch College.



ECONO phone

Gary Bondi, 44, chief financial officer, is also a member of the Board of Directors and an Econophone principal. Mr. Bondi is president of Bondi, Inc., a successful mid-sized trading firm specializing in non-ferrous metals. Bondi, Inc. has offices in New York and Baltimore and international trading affiliates in Canada, Germany, Italy, Korea and the People's Republic of China. Mr. Bondi also holds significant commercial and residential real estate holdings in various markets throughout the United States. He holds a B.S. in economics from Johns Hopkins University and an MBA from the University of Maryland.

Paul Bilke is director of operations and network engineering. He is formerly director of software development at StarTel Inc., a regional facilities-based carrier in the U.S. southwest, where he was responsible for operations, installation, and engineering of the DMS-250 switching platform. In the late 1980's he formed Bilke & Associates, a network applications and software design firm, where he was engaged in a variety of projects including the design of a system to manage surveillance and control of radioactive waste for the U.S. Department of Energy; implementation of remote handling of solid rocket motors for cruise missiles for the U.S. Department of Defense; and development of customized DSP-based telephony systems for a number of IXC and cellular telecommunications carriers. Since joining Econophone in 1992, Mr. Bilke and his team of eight programmers are focused exclusively on product design and development of transmission, switching and enhanced product applications for the Econophone network. He holds a B.S. degree in electrical engineering from Texas A&M University's Institute of Electronic Science.

Richard Rothman, 49, is Econophones director of marketing and sales. Mr. Rothman has 15 years experience in developing and managing direct and agent sales networks in the telecommunications services industry. He is formerly director of distribution sales for US Wats (Bala Cynwyd, PA) where he nearly tripled the size of agent/distribution program, within a 9 month period. Mr. Rothman helped several positions at Mid-Communications, Inc., one of the largest resellers in the U.S., including vice president for sales and vice president for agent sales. He recruited and managed master distributors and driving sales to over \$750,000 per month, and remains the company's all-time leader for sales. Mr. Rothman also held executive sales positions at Sprint, Xerox Corporation and Enhanced Telemanagement, Inc. He holds a degree in marketing from the University of Georgia.



ECONO *phone*

David Mer, 49, is senior operations and planning consultant. Mr. Mer has more than 25 years experience in telecommunications network engineering, operations, and executive management. He is formerly MCI's director of switched network engineering, where he was responsible for engineering and implementing MCI's original public switched network. He later became general manager of MCI International's Globcom Systems. Mr. Mer is also formerly director of marketing and product development at Comsat International and vice president of European operations for IDB Worldcom. At Worldcom he was instrumental in the growth of the firm's switched telephone services from its inception in 1989 to a \$350 million business in 1994.

Robert Conn, partner in the legal practice of Shaw Pittman, is Econophone's general counsel. Mr. Conn has more than 30 years experience in international telecommunications law. He is formerly executive vice president and General counsel at Western Union International until its acquisition by MCI in 1982. During his career he has been instrumental in a number of significant industry events and transactions, including the formation of U.S. International Satellite Earth Ownership Consortium (ESOC); the Maritime Satellite System (Marisat); American Satellite Company; as well as numerous interconnection and facilities purchasing agreements on major cable and satellite systems. Mr. Conn holds degrees from Georgetown University Law School and Franklin & Marshall College.



JOHN F. FREEMAN II

RESUME OF QUALIFICATIONS

2004 Cedarwood Dr.
Bryan, TX 77807

Work Phone (409) 821-2838
Home Phone (409) 823-8343

OBJECTIVE

To undertake a challenging position in your company which utilizes my skills and initiative to create an efficient and productive workplace.

SUMMARY OF QUALIFICATIONS

More than seven years of thorough customer service and credit/collection experience.

Adept at personnel management and staff development.

Knowledgeable and experienced in developing company-wide customer service, credit and collection policies, procedures, and standards.

Exceptional written and oral communication skills.

Extensive personal computer experience, both hardware and software. Thorough grasp of DOS and Windows and related word processing and database software.

EXPERIENCE

4/89 - 3/96

STAR TEL, INC., BRYAN, TEXAS

Customer Service Manager: Responsible for hiring, training, and supervising the customer support staff. Implemented a self-directed work team concept in which team members possess a wide range of cross-functional skills and greater decision making capability in order to provide the highest level of customer service possible. Responsible for processing new accounts (residential and commercial), payment processing, pic order processing, debit card activation and maintenance, and related record keeping duties. Responsible for resolving all customer escalation issues, initiating work orders to technical and field service departments, maintaining daily interaction with and support of the sales department and management staff, and theft and fraud investigation. In charge of activation and maintenance of customers on "off network" services (Frontier/Allnet), promoting the good image of the company, and cross-selling other services whenever possible. Additionally responsible for discharging credit and collection duties as outlined below.

Credit and Collection Manager: Responsible for development and administration of all credit and collection functions of this company. Established new criteria for processing and approval of new accounts that greatly reduced bad debts and increased profitability. Developed and implemented new commercial and residential credit applications and personal guaranties. Established effective system for contact and collection of past due accounts including telephone procedures, filing system, follow-up procedures, work flow, and correspondence. Set up computer system used for on-line contact with credit reporting agencies, analysis of delinquent accounts, data processing/record keeping functions associated with day-to-day credit and collection duties, and collection agency assignments. Responsible for auditing rates at which commercial accounts are sold prior to credit review.

JOHN F. FREEMAN II

RESUME OF QUALIFICATIONS

EXPERIENCE-continued

Maintain constant liaison with upper management, sales staff, customer service, accounting department, outside collection agencies, and legal representatives. Software used includes DOS, Windows, Word and Excel for Windows, Works for Windows, Procomm Plus for Windows, and Beame-Whiteside Unix based network software.

4/86 - 1/89

TEXAS AGGIE CREDIT UNION, COLLEGE STATION, TEXAS

Collections Officer: Responsible for contact and collection and contact of all 30-60 day regular loan and credit card delinquencies. Duties also include skip tracing, repossession, and associated credit reporting functions. Assisted lending department in evaluation of loan and credit card applications.

Head Teller: Responsible for teller management, training, and scheduling. In charge of appropriation and audit of vault currency, monthly teller audits, cashier's check and traveler's check disbursement, posting error research, customer service, new accounts, and all record keeping associated with these functions. Record keeping duties performed using database and word processor functions of networked office computer system.

Teller: Responsible for all normal teller functions including cashier's checks, traveler's checks, note payments, member research, and new accounts. Use ISC hardware and EDS Cunadata, Inc. on-line software for all teller functions.

EDUCATION

TEXAS A&M UNIVERSITY, COLLEGE STATION, TEXAS

BLINN COLLEGE, COLLEGE STATION, TEXAS

Accounting Major - Senior hours.

STRENGTHS

Very strong organizational skills - detail minded.

Effective interpersonal skills.

Excellent computer skills.

Action oriented - willing to tackle any job.

Ability to think analytically - excellent problem solving ability.

Honest and reliable - company loyal.

PERSONAL

Born 1/2/63 Married 6'1" 175 lbs Excellent Health.

REFERENCES AND FURTHER DATA AVAILABLE UPON REQUEST

JOHNNY R. BRICKEY
5982 WAGNER LANE
COLLEGE STATION, TEXAS 77845
(409) 690-0396

EDUCATION:

- 1976-1978 A.A. in Biology, Tyler Junior College, Tyler, Texas. Biology, Botany, and Chemistry lab assistant. Dean's list three semesters. Graduated with honors: Cum Laude.
- 1978-1982 B.B.A. in Management, Texas A&M University (May 1982). Member of Management Society. Member of the American Society for Personnel. Soccer and softball team captain.

WORK EXPERIENCE:

Star Tel, Inc. - Long Distance Company
409 North Texas Avenue, Bryan, Texas 77803

September 1990 to Present: Administrative Manager
Supervise two (2) employees in customer trouble ticket resolution. Help configure programs for the computer. Order phone lines for resale operations and coordinate the delivery of the services with the phone companies. Review all tariff changes and the effects on our operations. Answer all tariff questions for the President of the company. Coordinate equal access activities. Audit all phone bills for accuracy. Saved the Company \$257,000 in LEC billing errors that were due to misinterpretations of tariffs. Perform traffic analysis of network and analyze new services available to us. Negotiate contracts with vendors that are cost efficient for the company. Make recommendations to the president and appropriate departments of the company for price changes. Recommend all changes, additions and disconnects of the network to make it more cost efficient. Make all route changes in our switch for least cost routing on our network. Enter new NPA's, NXX's and international country codes in the switch.

June 1984 - September 1990: Networking Manager
Supervise the office operations. Saved the Company \$250,000 in LEC billing errors on phone bills. Process, print, insert, pre-sort, and mail all of our bills. Set up all of the 800 service in the switch and coordinate the 800 number assignment to our customers. During our Chapter 11 reorganization, I recommended and implemented network changes that saved the company \$700,000 annually (a thirty-five percent reduction in transmission costs). Coordinated the install and purchase of direct access facilities to one of our carriers.

January 1984 - May 1984: Networking Assistant Manager
Ordered phone lines for resale operations and franchises. Ordered phone lines and coordinated moves for interconnect customers.

October 1983 - December 1983: Office Manager
Supervised five (5) employees. Managed the billing, collections, and new service for customer service.

PAGE 2

August 1983 - September 1983: Assistant Office Manager
Supervised four (4) employees. Assistant Office Manager in customer service operations.

April 1983 - July 1983: Head of Collections
Established collections department for all past due accounts. Had to collect several accounts that were over a year past due. Reduced bad debt to three percent.

Brickey's Skirting Service: Mobile Home Skirting Service
3301 Providence #1813, Bryan, Texas 77803

July 1982 - January 1986: Owner of the Business

Wal-Mart, Inc. - Volume Retail Store
Texas Avenue, Bryan, Texas 77802

November 1982 - April 1983: Customer Service Manager
Supervised twenty (20) employees. Made up work schedules for checkers. Opened and closed cash registers each day. Approved checks and credit cards. Made program changes on cash registers.

May 1982 - October 1982: Receiving Manager
Supervised ten (10) employees. Supervised unloading of all merchandise and checked it for shortages and overages. Supervised pricing and stocking of all merchandise.

Family Farm: Vegetable Farm
Route 5 Box 205, Canton, Texas 75103

Summers 1975 - 1981: Farm Manager
Supervised 6 to 15 employees for harvest operations. Owner is W.E. Brickey. Offered a partnership of the farm if I would stay on the farm.

General Telephone Company: Local Telephone Co.
Industrial Park, Bryan, Texas 77803

September 1980 - February 1981: Part-Time Clerical
Contacted customers with due dates for service. Pulled line cards and gathered information for PUC complaints. Worked on correcting cable assignment errors.

Tyler Junior College: Lab Work
Tyler, Texas

Fall 1977 - Spring 1978: Lab Assistant
Graded student work during their labs for Biology, Botany, and Chemistry.

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HONORS:

Summers of 1988 and 1989 - Bowling League Secretary
1984 - 1985 - Bryan College Station Jaycees Board of Directors
October 1984 - Star Tel Employee of the Month
February 1984 - Chairman of Jaycees Radio Day Project
February 1984 - Jaycees of the Month
Spring 1981 - Spring 1982 - Member of Dorm Council at Texas A&M Univ.
1979 - Eustace Riding Club - Member of the Board of Directors
1975 - Van Zandt County 4-H Riding Club. President
1974 - Van Zandt County 4-H Riding Club. Secretary-Treasurer

REFERENCES AVAILABLE UPON REQUEST

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

Also Admitted in New York
and Maryland

Tel: phone: (770) 698-9200
Facsimile: (770) 698-9202

June 10, 1996

VIA FEDERAL EXPRESS

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

Re: Econophone, Inc.

Dear Sir/Madam:

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

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

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

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

Sincerely,



Lance J.M. Steinhart, Esq.
Attorney for Econophone, Inc.

Enclosures
cc: Mr. Monte Banash
LJS/as

RECEIVED & FILED


FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

06292 JUN 12 86

FPSC-RECORDS/REPORTING