

LAW OFFICES

ROSE, SUNDBSTROM & BENTLEY

MEMBERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

2548 SLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

(904) 877-6555

MAILING ADDRESS
POST OFFICE BOX 1567
TALLAHASSEE, FLORIDA 32302-1567

ELECTOR (904) 656-4029

CHRIS H. BENTLEY, PA.
JENNIFER S. BRUBAKER
F. MARSHALL DETERDING
BRIAN L. DOSTER
MARTIN S. FRIEDMAN, PA.
JOHN R. JENKINS, PA.
STEVEN T. MINDLIN, PA.
ROBERT M. C. ROSE
DAMIEN L. SHIPPY
WILLIAM E. SUNDBSTROM, PA.
DIANE D. TREMOR, PA.
JOHN L. WHARTON

June 27, 1996

VIA HAND DELIVERY

Ms. Blanca S. Bayo
Director of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

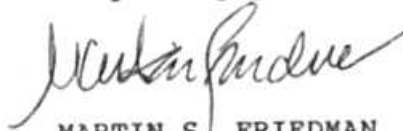
960784-TI

Re: The Villages Telephone Service
Our File No. 31092.01

Dear Ms. Bayo:

Enclosed please find the original and six copies of the Application for a Certificate of Service to provide telecommunication services in Florida being filed on behalf of the above-named corporation. Also, attached is the completed Application Form for authority to provide interexchange telecommunication service within the State of Florida.

Very truly yours,



MARTIN S. FRIEDMAN
For The Firm

MSF/bsr

Enclosures

cc: Mr. C. Dale Borrowman
Mr. Mike Kelley

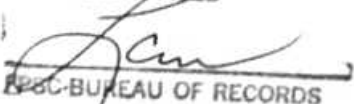
Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.

In the presence of person who forwarded check.
DOCUMENT NUMBER-DATE

06920 JUN 27 88

FPSC-RECORDS/REPORTING

RECEIVED & FILED



LAW OFFICES
ROSE, SUNDBSTROM & BENTLEY

PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

254 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

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Very truly yours,

MARTIN S. FRIEDMAN
For The Firm

THE VILLAGES OF LAKE-SUMTER, INC.
GENERAL ACCOUNT
1100 MAIN STREET PH. 904-753-8270
LADY LAKE, FL 32159



FIRST BANK
OF THE VILLAGES
909 AVENUE CENTRAL
LADY LAKE, FL 32159

20555

63-1400/631

JUNE 25, 19 96

PAY TWO HUNDRED FIFTY AND 00/100***** DOLLARS \$ 250.00

TO THE ORDER OF

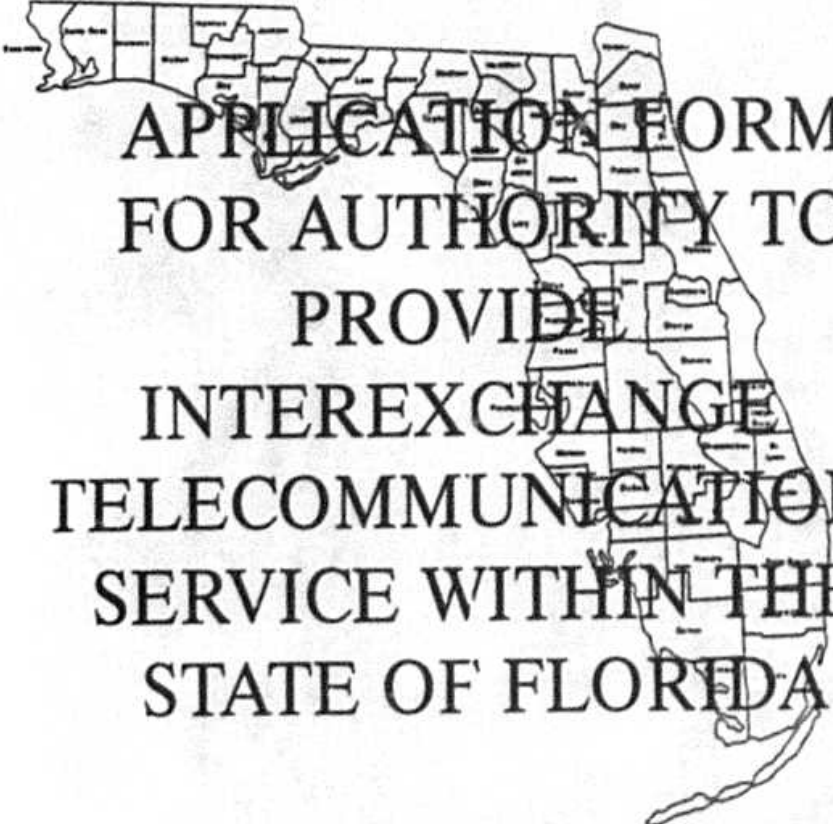
FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF ADMINISTRATION
2540 SHUMARD OAK BLVD
GUNTER BUILDING
TALLAHASSEE, FL 32399-0850

DOCUMENT NUMBER-DATE

H. Jay 00920 JUN 27 96

FPSC-RECORDS/REPORTING

960784-TL



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

DOCUMENT NUMBER-DATE

06920 JUN 27 '88

ES&S RECORDS/REPORTING

**** FLORIDA PUBLIC SERVICE COMMISSION ***

DIVISION OF COMMUNICATIONS
BUREAU OF SERVICE EVALUATION

APPLICATION FORM
for
AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICE
WITHIN THE STATE OF FLORIDA

Instructions

- A. This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee (See Appendix A).
- B. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.
- C. Use a separate sheet for each answer which will not fit the allotted space.
- D. If you have questions about completing the form, contact:

Florida Public Service Commission
Division of Communications
Bureau of Service Evaluation
2540 Shumard Oak Blvd.
Gunter Building
Tallahassee, Florida 32399-0850
(904) 413-6600

- E. Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of \$250.00 to:

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd.
Gunter Building
Tallahassee, Florida 32399-0850
(904) 413-6251

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 an uncertificated 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:
Villages of Lake Sumter, Inc.
4. Name under which the applicant will do business (fictitious name, etc.):
The Villages Telephone Service
5. National address (including street name & number, post office box, city, state and zip code).
1100 Main Street, Lady Lake, Florida 32159
6. Florida address (including street name & number, post office box, city, state and zip code):
Same as # 5
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.
- (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: 220546

- (b) Name and address of the company's Florida registered agent.

R. Dewey Burnsed
1000 West Main St.
Leesburg, FL. 32748

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

Fictitious name registration number: 676167000139

- (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.

(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.

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

(a) The application; Michael Kelley

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

(c) Tariff; Michael Kelley

- (d) Complaints/Inquiries from customers;
Dale Borrowman

11. List the states in which the applicant:

- (a) Has operated as an interexchange carrier.
N/A
- (b) Has applications pending to be certificated as an interexchange carrier.
N/A
- (c) Is certificated to operate as an interexchange carrier.
N/A
- (d) Has been denied authority to operate as an interexchange carrier and the circumstances involved.
N/A
- (e) Has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.
N/A
- (f) Has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.
N/A

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

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

13. Do you have a marketing program?

Yes

14. Will your marketing program: NONE

- 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.).

N/A

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. Sprint United Telephone

18. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide interexchange telecommunications service in Florida.

See Attached

A. Financial capability. See Attached

Regarding the showing of financial capability, the following applies:

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

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

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

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

B. Managerial capability. See Attached

C. Technical capability. See Attached

19. 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).

See Attached

20. 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.)

XY Travel Service

 Method of access is 950
XX 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

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

1 + NPA NXXXXXX
1 + 800 NXX XXXX

22. Other:

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

UTILITY OFFICIAL:

H. Gary Morse
Signature

6/26/96
Date

H. Gary Morse
Vice Pres.
Title

952-753-6238
Telephone No.

**** APPENDIX A ****

CERTIFICATE TRANSFER STATEMENT

NOT APPLICABLE

I, (TYPE NAME) _____,
(TITLE) _____, of (NAME OF COMPANY)
_____, and current
holder of certificate number _____, have reviewed
this application and join in the petitioner's request for a
transfer of the above-mention certificate.

UTILITY OFFICIAL:

Signature

Date

Title

Telephone No.

**** 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):

(XX) 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:

H. Gray Morse
Signature

6/26/56
Date

H. Gray Morse
Vice Pres
Title

352-753-6237
Telephone No.

**** APPENDIX C ****

INTRASTATE NETWORK

1. **POP:** Addresses where located, and indicate if owned or leased. N/A

1) 2)

3) 4)

2. **SWITCHES:** Address where located, by type of switch, and indicate if owned or leased. N/A

1) 2)

3) 4)

3. **TRANSMISSION FACILITIES:** Pop-to-Pop facilities by type of facilities (microwave, fiber, copper, satellite, etc.) and indicate if owned or leased. N/A

1) POP-to-POP TYPE OWNERSHIP

2)

4. **ORIGINATING SERVICE:** Please provide the list of exchanges where you are proposing to provide originating service within thirty (30) days after the effective date of the certificate (Appendix D).

See Attached

5. **TRAFFIC RESTRICTIONS:** Please explain how the applicant will comply with the EAEA requirements contained in Commission Rule 25-24.471 (4) (a) (copy enclosed).
 Applicant will provide Intralata toll services to end users by dialing the appropriate access code or through the use of an auto-dialer.
6. **CURRENT FLORIDA INTRASTATE SERVICES:** Applicant has () or has not (XX) previously provided intrastate telecommunications in Florida. If the answer is has, fully describe the following:
- a) What services have been provided and when did these services begin? N/A
- b) If the services are not currently offered, when were they discontinued? N/A

UTILITY OFFICIAL:

H. Gray Morse
 Signature

6/26/96
 Date

H. Gray Morse
Vice Pres.
 Title

352-753-6238
 Telephone No.

**** APPENDIX D ****

FLORIDA TELEPHONE EXCHANGES

AND

EAS ROUTES

Describe the service area in which you hold yourself out to provide service by telephone company exchange. If all services listed in your tariff are not offered at all locations, so indicate.

In an effort to assist you, attached is a list of major exchanges in Florida showing the small exchanges with which each has extended area service (EAS).

**** FLORIDA EAS FOR MAJOR EXCHANGES ****

<u>Extended Service Area</u>	<u>with</u>	<u>These Exchanges</u>
PENSACOLA:		Cantonment, Gulf Breeze Pace, Milton Holley-Navarre.
PANAMA CITY:		Lynn Haven, Panama City Beach, Youngstown-Fountain and Tyndall AFB.
TALLAHASSEE:		Crawfordville, Havana, Monticello, Panacea, Sopchoppy and St. Marks.
JACKSONVILLE:		Baldwin, Ft. George, Jacksonville Beach, Callahan, Maxville, Middleburg Orange Park, Ponte Vedra and Julington.
GAINESVILLE:		Alachua, Archer, Brooker, Hawthorne, High Springs, Melrose, Micanopy, Newberry and Waldo.
OCALA:		Belleview, Citra, Dunnellon,

Forest Lady Lake (B21),
McIntosh, Oklawaha,
Orange Springs, Salt Springs and
Silver Springs Shores.

DAYTONA BEACH: New Smyrna Beach.

TAMPA: Central None
East Plant City
North Zephyrhills
South Palmetto
West Clearwater

CLEARWATER: St. Petersburg, Tampa-West and
Tarpon Springs.

ST. PETERSBURG: Clearwater.

LAKELAND: Bartow, Mulberry, Plant City,
Polk City and Winter Haven.

ORLANDO: Apopka, East Orange, Lake Buena
Vista, Oviedo, Windermere,
Winter Garden,
Winter Park, Montverde, Reedy
Creek, and Oviedo-Winter
Springs.

WINTER PARK: Apopka, East Orange, Lake Buena Vista,
Orlando, Oviedo, Sanford, Windermere,
Winter Garden, Oviedo-Winter Springs
Reedy Creek, Geneva and Montverde.

TITUSVILLE: Cocoa and Cocoa Beach.

COCOA: Cocoa Beach, Eau Gallie,
Melbourne and Titusville.

MELBOURNE: Cocoa, Cocoa Beach, Eau Gallie
and Sebastian.

SARASOTA: Bradenton, Myakka and Venice.

FT. MYERS: Cape Coral, Ft. Myers Beach, North Cape
Coral, North Ft. Myers, Pine Island, Lehigh
Acres and Sanibel-Captiva Islands.

NAPLES: Marco Island and North Naples.

WEST PALM BEACH: Boynton Beach and Jupiter.

POMPANO BEACH

Boca Raton, Coral Springs,
Deerfield Beach and Ft.
Lauderdale.

FT. LAUDERDALE:

Coral Springs, Deerfield Beach,
Hollywood and Pompano Beach.

HOLLYWOOD:

Ft. Lauderdale and North Dade.

NORTH DADE:

Hollywood, Miami and Perrine.

MIAMI:

Homestead, North Dade and
Perrine

**** APPENDIX E ****

**** GLOSSARY ****

ACCESS CODE: The term denotes a uniform four or seven digit code assigned to an individual IXC. The five digit code has the form 10XXX and the seven digit code has the form 950-XXXX.

BYPASS: Transmission facilities that go direct from the local exchange end user to an IXC point of presence, thus bypassing the local exchange company.

CARRIERS CARRIER: An IXC that provides telecommunications service, mainly bulk transmission service, to other IXC only.

CENTRAL OFFICE: A local operating unit by means of which connections are established between subscribers' lines and trunk or toll lines to other central offices within the same exchange or other exchanges. Each three (3) digit central office code (NXX) used shall be considered a separate central office unit.

CENTRAL OFFICE CODE: The term denotes the first three digits (NXX) of the seven (7) digit telephone number assigned to a customer's telephone exchange service.

COMMISSION: The Florida Public Service Commission.

COMPANY, TELEPHONE COMPANY, UTILITY: These terms may be used interchangeably herein and shall mean any person, firm, partnership or corporation engaged in the business of furnishing communication service to the public under the jurisdiction of the Commission.

DEDICATED FACILITY: The term denotes a transmission circuit which is permanently for the exclusive use of a customer or a pair of customers.

END USER: The term denotes any individual, partnership, association, corporation, governmental agency or any other entity which (A) obtains a common line, uses a pay telephone or obtains interstate service arrangements in the operating territory of the company or (B) subscribes to interstate services provided by an IXC or uses the services of the IXC when the IXC provides interstate service for its own use.

EQUAL ACCESS EXCHANGE AREAS: EAEA means a geographic area, configured based on 1987 planned toll center/access tandem areas, in which local exchange companies are responsible for providing equal access to both carriers and customers of carriers in the most economically efficient manner.

EXCHANGE: The entire telephone plant and facilities used in providing telephone service to subscribers located in an exchange area. An exchange may include more than one central office unit.

EXCHANGE (SERVICE) AREA: The territory, including the base rate suburban and rural areas served by an exchange, within which local telephone service is furnished at the exchange rates applicable within that area.

EXTENDED AREA SERVICE: A type of telephone service furnished under tariff provision whereby subscribers of a given exchange or area may complete calls to, and receive messages from, one or more other contiguous exchanges without toll charges, or complete calls to one or more other exchanges without toll message charges.

FACILITIES BASED: An IXC that has its own transmission and/or switching equipment or other elements of equipment and does not rely on others to provide this service.

FOREIGN EXCHANGE SERVICES: A classification of exchange service furnished under tariff provisions whereby a subscriber may be provided telephone service from an exchange other than the one from which he would normally be served.

FEATURE GROUPS: General categories of unbundled tariffs to stipulate related services.

Feature Group A: Line side connections presently serving specialized common carriers.

Feature Group B: Trunk side connections without equal digit or code dialing.

Feature Group C: Trunk side connections presently serving AT&T-C.

Feature Group D: Equal trunk access with subscription.

INTEREXCHANGE COMPANY: means any telephone company, as defined in Section 364.02(4), F.S. (excluding Payphone Providers), which provides telecommunication service between exchange areas as those areas are described in the approved tariffs of individual local exchange companies.

INTER-OFFICE CALL: A telephone call originating in one central office unit or entity but terminating in another central office unit or entity both of which are in the same designated exchange area.

INTRA-OFFICE CALL: A telephone call originating and terminating within the same central office unit or entity.

INTRASTATE COMMUNICATIONS: The term denotes any communications in Florida subject to oversight by the Florida Public Service Commission as provided by the laws of the State.

INTRA-STATE TOLL MESSAGE: Those toll messages which originate and terminate within the same state.

LOCAL ACCESS AND TRANSPORT AREA: LATA means the geographic area established for the administration of communications service. It encompasses designated exchanges, which are grouped to serve common social, economic and other purposes.

LOCAL EXCHANGE COMPANY (LEC): Means any telephone company, as defined in Section 364.02(4), F.S., which, in addition to any other telephonic communication service, provides telecommunication service within exchange areas as those areas are described in the approved tariffs of the telephone company.

OPTIONAL CALLING PLAN: An optional service furnished under tariff provisions which recognizes a need of some subscribers for extended area calling without imposing the cost on the entire body of subscribers.

900 SERVICE: A service similar to 800 service, except this service is charged back to the customer based on first minute plus additional minute usage.

PIN NUMBER: A group of numbers used by a company to identify their customers.

PAY TELEPHONE SERVICE COMPANY: Means any telephone company, other than a Local Exchange Company, which provides pay telephone service as defined in Section 364.335(4), F.S.

POINT OF PRESENCE (POP): Bell-coined term which designates the

FORM PSC/CMU 31 (11/95)

Required by Commission Rule Nos. 25-24.471, 25-24.473, and 25-24.480(2).

actual (physical) location of an IXC's facility. Replaces some applications of the term "demarcation point."

PRIMARY SERVICE: Individual line service or party line service.

RESELLER: An IXC that does not have certain facilities but purchases telecommunications service from an IXC and then resells that service to others.

STATION: A telephone instrument consisting of a transmitter, receiver, and associated apparatus so connected as to permit sending and/or receiving telephone messages.

SUBSCRIBER, CUSTOMER: These terms may be used interchangeably herein and shall mean any person, firm, partnership, corporation, municipality, cooperative organization, or governmental agency supplied with communication service by a telephone company.

SUBSCRIBER LINE: The circuit or channel used to connect the subscriber station with the central office equipment.

SWITCHING CENTER: Location at which telephone traffic, either local or toll, is switched or connected from one circuit or line to another. A local switching center may be comprised of several central office units.

TRUNK: A communication channel between central office units or entities, or private branch exchanges.

ATTACHMENTS:

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

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF FLORIDA**

**IN THE MATTER OF THE APPLICATION OF)
THE VILLAGES TELEPHONE SERVICE)
FOR A CERTIFICATE OF SERVICE TO)
PROVIDE INTRASTATE)
TELECOMMUNICATIONS SERVICES)**

CASE No. _____

APPLICATION FOR CERTIFICATE OF SERVICE

The Villages Telephone Service (VTS) ("Applicant") a Division of The Villages of Lake Sumter, Inc., a Florida Corporation files this verified application respectfully requesting that the Florida Public Service Commission ("Commission") issue Applicant a Certificate of Service Authority to resell intrastate telecommunications services within the state of Florida pursuant to the Commissions rules and regulations.

In support of its requests, Applicant states:

1. Applicant is a Florida Corporation authorized to do business in the state of Florida, with its principal offices located at:

**1100 Main Street
Lady Lake, FL 32159**

A copy of Applicant's Articles of Incorporation and Certificate of Authority to transact business in Florida are attached hereto as **Exhibit I**.

2. The name and address of Applicants in-state attorney is:

**Martin S Freidman
Rose, Sundstrom & Bentley
2548 Blairstone Pines Drive
Tallahassee, FL 32301
(904) 877-6555**

Applicant proposes to engage in the business of providing intrastate interexchange non-switched private line, non-switched local exchange private line, direct dial (1+), and 800 services within and throughout Florida and hereby requests a Certificate of Service pursuant to the Commissions rules and regulations.

Applicant will be providing to its customers intrastate interexchange non-switched private line, non-switched local exchange private line, direct dial (1+), and 800 services through resale of services of other carriers in accordance to Applicants approved tariff.

3. Applicant has the experience in the telecommunications industry through contractual agreements with Kelley & Associates, Inc. a specialized telecommunications consulting firm, with its corporate offices located at 1197 Colby Ct., St. Peters, MO 63376. Applicant also has the technical and financial resources necessary to ensure Applicants success. A brief description of the business entity, qualifications and experience of the responsible principals and the consulting staff is attached hereto as **Exhibit II**. Since Applicant has never operated within the telecommunications industry it has no balance sheet specifically for this division. Although its overall corporate balance sheets and financial statements along with forecasts of revenues and expenses regarding this division are attached hereto as **Exhibit III**.

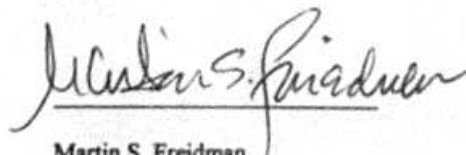
4. Applicant's proposed Tariff which contains the rules and regulations applicable to its customers, a description of the services Applicant provides and a list of rates associated with such services is attached as **Exhibit IV** hereto, which Tariff is required to be filed pursuant to the requirements of the Commission.

5. Applicant will comply with all applicable Commission rules except those which are specifically waived by the commission.
6. Applicant requests classification as a competitive telecommunications company within the state of Florida. Applicant believes that its proposed services will be subject to sufficient competition to justify a lesser degree of regulation. Granting of this application will allow greater price and service options for telephone users.
7. Correspondence or communications pertaining to this Application should be addressed to:

Michael Kelley
Telecommunications Consultant
Kelley & Associates, Inc.
RE: The Villages Telephone Service
1197 Colby Ct.
St. Peters, MO 63376

Wherefore, Applicant, The Villages Telephone Service, respectfully requests the Public Service Commission of Florida to (i) issue a certificate of Public Service authorizing Applicant to provide intrastate telecommunication services in Florida, (ii) classify it as a competitive telecommunications company and (iii) suspend or modify certain statutes and rules as they apply to Applicant.

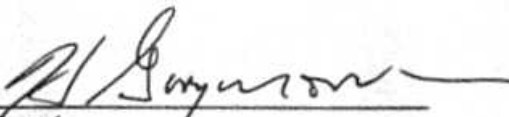
Respectfully submitted this 27th day of June, 1996.



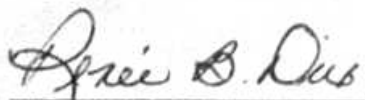
Martin S. Freidman
Rose, Sundstrom & Bentley
2548 Blairstone Pines Drive
Tallahassee, FL 32301

VERIFICATION

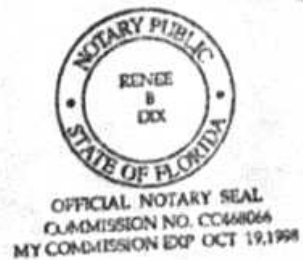
I, H. Gary Morse am Executive Vice President, Chief Executive Officer of The Villages Telephone Service, the Applicant herein, and am authorized to file this verification on behalf of Applicant. I verify that, based on information and belief, I have knowledge of the statements in the foregoing Application and the exhibits attached thereto, and I declare that they are true and correct to the best of my knowledge and belief.


Signed
H. Gary Morse
Printed Name

SWORN TO BEFORE ME, the undersigned Notary Public, on this 25 day of June, 1996.


Notary Public

Renee B. Dix
Printed Name



THE VILLAGE'S TELEPHONE SERVICE

EXHIBIT

I

State of Florida



Department of State

I certify that the attached is a true and correct copy of the Articles of Amendment, filed on February 28, 1992, effective March 10, 1992, to Articles of Incorporation for ORANGE BLOSSOM HILLS, INC., changing its name to THE VILLAGES OF LAKE-SUMTER, INC., a Florida corporation, as shown by the records of this office

The document number of this corporation is 220546.

Given under my hand and the
Great Seal of the State of Florida,
at Tallahassee, the Capital, this the
4th day of March, 1992.



CR2EO22 (2-91)

Jim Smith

Jim Smith
Secretary of State

THE VILLAGES TELEPHONE SERVICE

EXHIBIT

II

BRIEF DESCRIPTION OF BUSINESS ENTITY

The Villages Telephone Service (VTS) is a competitive reseller of telecommunications services.

VTS offers the marketplace within the Ocala Extended Service Area, more specifically the City of Lady Lake Florida, an alternative choice of long distance services. In addition to the competitive pricing, the personal "Single point of contact" customer service offerings, VTS provides a truly value added service.

The Officers and Management Team of The Villages Telephone Service are as follows;

Harold Schwartz,	President
H. Gary Morse,	Executive Vice President, Chief Executive Officer
John Wise,	Treasurer
R. Dewey Burnsed,	Secretary

Mr. Schwartz is a very active 86 year old President and Board Chairman of the Company. His varied business career has included a chain of 7 broadcast stations, downtown St. Louis offices and apartment buildings, and land development throughout the sunbelt of the United States and the Caribbean.

Mr. Morse, 59, is Mr. Schwartz' son. He has been the Executive Vice President and C.E.O. of the Corporation since 1983. He had prior experience in advertising and sales promotion in land development and resort management.

John F. Wise, 53, is the Chief Financial Officer of the Corporation. He is responsible for accounting, financial reporting, planning and budgeting. From 1988 to 1989 he was a consultant, primarily in the land development and mortgage servicing industries. From 1980 to 1987 he was involved in the Florida citrus industry as the General Manager of Adams Packing Association and Allsun Pure Juice Corporation. He was the Senior Vice President of American Agronomics Corporation, a New York Stock Exchange listed company, from 1980 to 1983. From 1970 to 1979 he was employed by Peat Marwick Mitchell & Company rising to the position of audit manager.

R. Dewey Burnsed, 57, is an attorney. Following receipt of his Juris Doctor degree from the University of Florida in 1965, he moved to the Leesburg area. For 30 years he has practiced law with the firm of McLin, Burnsed, Morrison, Johnson, Newman, and Roy and its predecessors and is currently an officer, shareholder and director in the firm. Mr. Burnsed's law firm serves as general counsel to the Corporation. Mr. Burnsed was a trustee for the Lake/Sumter Community College between September 1985 and June 1987. He also serves as a member of the Board of Directors of First bank of the Villages of Lady Lake, Florida.

The Manager of the Company is Mr. C. Dale Borrowman, 37, is currently employed by the Corporation as the Director of Information Systems. His responsibilities encompass all areas pertaining to information and computer technology. Prior to re-joining the corporation in 1995, Mr. Borrowman was affiliated with Engineered Support Systems, Inc. of St. Louis, MO. for eight years as the Director of Information Systems. A graduate

of Quincy College, Mr. Rowman has held senior management level positions over the past twelve years as well as working with multi-vendor technology platforms.

The consulting firm of Kelley & Associates have been contracted to consult on the day to day operations of Applicant. The two point consultants assigned to specifically head up the support team for Applicant in its endeavors are Michael Kelley and Anthony Kilroy. These two gentlemen have combined telephony experience in excess of forty years. Kelley & Associates, as an organization has in excess of 100 years of telecommunications experience ranging from plant and facility design to marketing and servicing end users of all types of interexchange and intraexchange services.

THE VILLAGES TELEPHONE SERVICE

**EXHIBIT
III**

THE VILLAGES OF LAKE-SUMTER, INC.

Consolidated Financial Statements

December 31, 1993 and 1992

(With Independent Accountants' Review Report Thereon)



Peat Marwick

Certified Public Accountants

111 North Orange Avenue, Suite 1800
P.O. Box 3031
Orlando, FL 32802

Independent Accountants' Review Report

The Board of Directors
The Villages of Lake-Sumter, Inc.:

We have reviewed the accompanying consolidated balance sheets of The Villages of Lake-Sumter, Inc. as of December 31, 1993 and 1992 and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, 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 consolidated financial statements is the representation of the management of The Villages of Lake-Sumter, Inc.

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 reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with generally accepted accounting principles.

KPMG Peat Marwick

February 11, 1994



Member Firm of
KPMG Peat Marwick Chartered

THE VILLAGE OF LAKE-SUMTER, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1993 AND 1992
(See accompanying review report of KPMG Peat Marwick)

<u>ASSETS</u>	<u>1993</u>	<u>1992</u>
Current Assets:		
Cash, including restricted cash of \$300,000 in 1993 and \$160,000 in 1992	\$ 3,423,821	2,137,262
Accounts and notes receivable, less allowance for doubtful accounts of \$50,000 in 1993 and 1992	1,108,311	1,185,564
Inventories (Notes 2, 5 and 6)	12,704,685	11,117,672
Prepaid expenses	490,801	545,614
Total current assets	<u>17,727,618</u>	<u>14,986,112</u>
Property, plant and equipment, net of accumulated depreciation of \$9,878,209 in 1993 and \$8,681,136 in 1992 (Notes 3, 6 and 7)	32,781,028	26,426,366
Land held for future development and sale (Note 6)	10,060,998	5,156,195
Due from affiliates (Note 4)	789,727	378,217
Investment in life insurance contract (Note 6)	670,739	546,497
Other assets	789,208	250,082
	<u>\$62,819,318</u>	<u>47,743,469</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current Liabilities:		
Customer deposits	\$ 4,435,354	4,132,957
Accounts payable	2,150,868	2,233,585
Accrued expenses (Note 4)	5,795,238	590,245
Net liabilities of discontinued operation (Note 4)	-	319,685
Due to affiliates	151,247	547,509
Unearned revenues	728,818	621,165
Current installments of long-term debt (Note 6)	2,254,000	1,379,900
Total current liabilities	<u>15,515,525</u>	<u>9,825,046</u>
Long-term debt less current installments (Note 6)	22,150,459	15,671,400
Minority interest in consolidated partnership	84,768	35,675
Shareholders' Equity:		
Common stock, \$100 par value, 100 shares authorized, 50.84 shares issued	5,084	5,084
Additional paid in capital	272,335	272,335
Retained earnings	31,618,480	23,933,929
Less 29.68 and 22.5 shares of treasury stock in 1993 and 1992, respectively, at cost	(6,827,333)	(2,000,000)
Total shareholder's equity	<u>25,068,566</u>	<u>22,211,348</u>
Commitments and contingencies (Note 8)	<u>\$62,819,318</u>	<u>47,743,469</u>

See accompanying notes to consolidated financial statements.

THE VILLAGES OF LAKE-SUMTER, INC.
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 1993 AND 1992
(See accompanying review report of KPMG Peat Marwick)

	<u>1993</u>	<u>1992</u>
Revenues:		
Developed lots and homes	\$54,359,830	50,746,905
Food and beverage services	5,266,960	4,552,830
Homeowner maintenance fees	5,855,421	4,988,497
Retail store operations	3,204,545	3,241,639
Other	4,797,148	4,128,638
Total revenues	<u>73,483,904</u>	<u>67,658,509</u>
Cost of Sales:		
Developed lots and homes	37,082,805	32,692,241
Other	4,961,885	4,370,831
Total cost of sales	<u>42,044,690</u>	<u>37,063,072</u>
Gross profit	31,439,214	30,595,437
Selling, general and administrative expenses	25,436,686	21,916,172
Operating profit	6,002,528	8,679,265
Other income (expenses):		
Other income, net (including loss on sale of property, plant and equipment of \$38,487 in 1993 and a gain of \$171,270 in 1992)	164,801	315,462
Interest income	190,445	166,247
Interest expense	(1,880,193)	(1,604,797)
Total other (expenses), net	<u>(1,524,947)</u>	<u>(1,123,088)</u>
Net income from continuing operations before minority partners' share of income of consolidated partnership	4,477,581	7,556,177
Minority partners' share of income of consolidated partnership	(49,093)	(37,245)
Income from continuing operations	<u>4,428,488</u>	<u>7,518,932</u>
Discontinued operation (Note 4)		
Income from operations of Sunbelt Utilities, Inc., (less income taxes (benefit) of \$55,477 and (\$9,912) in 1993 and 1992, respectively)	102,675	41,932
Gain on sale of Sunbelt Utilities, Inc. net assets (less income tax expense of \$3,497,275) (Note 9)	6,472,644	-
Net income	<u>\$11,003,807</u>	<u>7,560,864</u>

See accompanying notes to consolidated financial statements.

THE VILLAGES OF LAKE-SUMTER, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1993 AND 1992
(See accompanying review report of KPMG Peat Marwick)

	<u>Total</u>	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	
		<u>Shares</u>	<u>Amount</u>			<u>Shares</u>	<u>Amount</u>
Balances - December 31, 1991, as previously reported	\$17,232,638	45.00	4,500	257,217	18,970,921	22.50	(2,000,000)
Sunbelt Utilities, Inc. merger (Note 4)	(49,355)	5.50	550	15,118	(65,023)		
Homecrafters of Florida, Inc. merger (Note 4)	89,304	.34	34		89,270		
Balances - December 31, 1991, as restated	17,272,587	50.84	5,084	272,335	18,995,168	22.50	(2,000,000)
Net Income	7,560,864				7,560,864		
Dividends	(2,622,103)				(2,622,103)		
Balances - December 31, 1992	22,211,348	50.84	5,084	272,335	23,933,929	22.50	(2,000,000)
Treasury Stock Purchases	(4,827,333)					7.18	(4,827,333)
Net Income	11,003,807				11,003,807		
Dividends	(3,319,256)				(3,319,256)		
Balances - December 31, 1993	\$25,068,566	50.84	5,084	272,335	31,618,480	29.68	(6,827,333)

See accompanying notes to consolidated financial statements.

THE VILLAGES OF LAKE-SUMTER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1993 AND 1992
(See accompanying review report of KPMG Peat Marwick)

	1993	1992
Cash flows from operating activities:		
Income from continuing operations	\$ 4,428,488	7,518,932
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation	1,760,965	1,699,377
Minority partners' share of income of consolidated partnership	49,093	27,245
(Gain) loss on sale of property & equipment	38,487	(171,270)
Cash provided by (used for) changes in:		
Accounts and notes receivable	77,253	134,096
Inventories and land held for future development and sale	(6,491,816)	1,106,974
Due from affiliates	(807,772)	266,909
Prepaid expenses	54,813	(86,449)
Other assets	(539,126)	(19,818)
Customer deposits	302,397	327,251
Accounts payable	(82,717)	510,989
Accrued expenses	5,204,993	(600,767)
Unearned revenues	107,653	30,878
Net cash provided by operating activities	<u>4,102,711</u>	<u>10,754,347</u>
Cash flows from investing activities (Note 4):		
Purchase of property, plant and equipment	(10,050,005)	(2,117,639)
Proceeds from sale of property & equipment	1,895,891	276,827
Investment in life insurance contract	(124,242)	(32,432)
Gain on sale of Sunbelt Utilities, Inc.	6,472,644	-
Income from operations of Sunbelt Utilities, Inc.	102,675	41,932
Net cash used for investing activities	<u>(1,703,037)</u>	<u>(1,831,312)</u>
Cash flows from financing activities (Note 9):		
Proceeds from issuance of long-term debt	11,061,807	2,745,493
Repayment of long-term debt	(3,708,648)	(4,427,149)
Net change in notes payable to banks	-	(4,110,000)
Change in net liabilities of discontinued operation	(319,685)	140,272
Dividends paid	(3,319,256)	(2,622,103)
Distributions paid to minority partners' of consolidated partnership	-	(62,795)
Purchase of treasury stock	(4,827,333)	-
Net cash used for financing activities	<u>(1,113,115)</u>	<u>(8,336,282)</u>
Net increase in cash	1,286,559	586,753
Cash, beginning of year	2,137,262	1,550,509
Cash, end of year	<u>\$3,423,821</u>	<u>2,137,262</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest (including interest paid related to discontinued operations of \$586,618 in 1993 and \$717,028 in 1992)	<u>\$2,355,981</u>	<u>2,496,805</u>
Cash paid (received) by discontinued operations for income taxes, net of refund received	<u>\$ 171,121</u>	<u>(128,962)</u>

See accompanying notes to consolidated financial statements.

THE VILLAGES OF LAKE-SUMTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1993 AND 1992
(See accompanying review report of KPMG Peat Marwick)

1. Organization and Summary of Significant Accounting Policies

Operations

The Villa of Lake-Sumter, Inc. ("the Company"), formerly Orange Blossom Hills, Inc., has developed a retirement community known as The Villages located in Lady Lake, Florida. The Company constructs and sells single family site built homes, including the related land. Sales are recorded at closing. Funds collected prior to closing are recorded as customer deposits, and are shown as a liability on the accompanying consolidated balance sheets.

The Company also operates recreational facilities, restaurants, retail stores and shopping centers within the community.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and a 75% owned partnership which the Company acquired during 1991. The partnership operates within the cable television industry. All significant intercompany balances and transactions have been eliminated in consolidation.

Inventories

Inventories are stated at cost which is not in excess of estimated market value. Costs incurred to develop lots and construct homes are capitalized and charged to cost of sales when the lots and homes are sold. Cost of other inventories, consisting primarily of food and beverages and retail merchandise is determined principally using the first-in, first-out method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Normal maintenance and repair costs are expensed as incurred. Depreciation is provided for property, plant and equipment by use of the straight-line method over the estimated useful lives of the assets, as follows:

	<u>YEARS</u>
Buildings and improvements	15 - 31.5
Machinery and equipment	3 - 10
Furniture and fixtures	3 - 10
Vehicles	3 - 5

Unearned Revenues

Unearned revenues primarily relate to annual golf membership and greens fee agreements collected in advance related to the Company's golf course operations. These fees are recognized as earned revenue evenly over the term of the agreements.

Income Taxes

The Company and its stockholders have elected under subchapter S of the Internal Revenue Code to have the Company's taxable income or loss reported by its shareholders. Because of this election, Federal and state income taxes have not been provided for in the accompanying consolidated financial statements, except for Federal and State income taxes provided related to the operations of Sunbelt Utilities, Inc. (see Note 4).

Restatement of 1992 Consolidated Financial Statements

The 1992 Consolidated Financial Statements have been restated to reflect the acquisition of Sunbelt Utilities, Inc. and Homecrafters of Florida, Inc.. (see Note 4).

THE VILLAGES OF LAKE-SUMTER, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (See accompanying review report of KPMG Peat Marwick)

2. Inventories

Inventories at December 31, 1993 and 1992 consist of the following:

	<u>1993</u>	<u>1992</u>
Developed lots and land	\$ 3,655,679	5,368,007
Homes under construction	7,904,576	4,241,220
Other	1,144,430	1,508,445
	<u>\$12,704,685</u>	<u>11,117,672</u>

The Company includes developed lots and land actively held for sale as a component of inventory. Land held for future development and sale is excluded from inventory as it will not be available for sale during the Company's upcoming fiscal year.

3. Property, Plant and Equipment

Property, plant and equipment at December 31, 1993 and 1992 consist of the following:

	<u>1993</u>	<u>1992</u>
Shopping centers and retail facilities	\$12,987,172	10,086,391
Recreational facilities, restaurants and common areas	12,778,549	10,362,621
Construction and related equipment	1,165,807	1,059,914
Sales, administrative and other offices and equipment	15,727,709	13,598,576
	<u>42,659,237</u>	<u>35,107,502</u>
Less accumulated depreciation	<u>(9,878,209)</u>	<u>(8,681,136)</u>
	<u>\$32,781,028</u>	<u>26,426,366</u>

4. Transactions with Affiliates

The Company routinely borrows from and advances funds to companies related through common ownership. Certain administrative costs are shared by the Company and its affiliates which are allocated between the companies based on the benefits received.

During 1992, the Company, as land owner, formed Village Community Development District No. 1 ("CDD") pursuant to Chapter 190, Florida Statutes. The CDD will plan, finance, and construct the infrastructure improvements, including roads, drainage, and water and sewer facilities necessary for the Company to construct and sell homes on its Sumter County, Florida property. On June 19, 1992, the CDD sold \$16.4 million of its Capital Improvement Revenue Bonds and began planning and constructing the necessary infrastructure improvements. The Company is required to make payments to the CDD as new homes and the related land are sold within the boundaries of the CDD. The payments to the CDD (\$15,150 in 1992 and \$1,739,708 in 1993) are charged to cost of sales when the home and lot are sold. Commencing in 1995, the Company must additionally pay annual assessments on the land it owns within the boundaries of the CDD. These payments will be expensed in the period incurred.

Also during 1992, the Company, as landowner, formed Village Center Community Development District ("Village Center") an entity similar to the CDD. On November 29, 1993, Village Center sold \$26.0 million of its Utility Revenue Bonds. The proceeds were used to acquire the net assets of Sunbelt Utilities,

(Continued)

THE VILLAGES OF LAKE-SUMTER, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (See accompanying review report of KPMG Peat Marwick)

4. Transactions with Affiliates, continued

Inc. ("Sunbelt") to acquire a sewer plant from the Town of Lady Lake, and to fund improvements to its purchased utility system. The Village Center bonds are payable solely from revenues generated from its utility operations.

On November 30, 1993, Sunbelt and Homecrafters of Florida, Inc. ("Homecrafters") were merged into the Company. Shareholders of Sunbelt received 5.5 shares of common stock of the Company for all the outstanding common stock of Sunbelt. Shareholders of Homecrafters were given .34 shares of common stock of the Company for all the outstanding common stock of Homecrafters. These mergers were accounted for as poolings of interests, as the shareholders of the merged companies were substantially identical to the shareholders of the Company. Sunbelt provided water and sewer utility services to the residents of the Villages. Homecrafters owned and leased property in a commercial area at the Villages.

The Company's 1992 financial statements have been restated to include the net liabilities and discontinued operations of Sunbelt. Substantially all the assets of Sunbelt were sold to Village Center on November 29, 1993 for a contract sales price of approximately \$20,180,000. Sunbelt received cash of \$11,447,299 and a subordinated note in the amount of \$370,849 after closing prorations and retirement of Sunbelt indebtedness. A summary of the Sunbelt's operations for the eleven months ended November 30, 1993 and the year ended December 31, 1992 is as follows:

	<u>1993</u>	<u>1992</u>
Operating revenues	\$ 2,026,071	1,936,597
Operating expenses	(1,312,924)	(1,264,519)
Interest expense	(610,085)	(749,739)
Other income	55,090	109,681
Gain on sale of net assets	9,969,919	-
Income tax (expense) benefit	(3,552,752)	9,912
Net income	<u>\$ 6,575,319</u>	<u>41,932</u>

A summary of Sunbelt's net assets (liabilities), including amounts due from the Company, at November 30, 1993 and December 31, 1992 and 1991 is as follows:

	Nov. 30 <u>1993</u>	Dec. 31 <u>1992</u>	Dec. 31 <u>1991</u>
Current Assets	\$10,573,180	478,946	506,592
Property and equipment, net	-	10,015,850	9,960,267
Other assets	370,849	1,416,293	1,410,757
Total assets	<u>10,944,029</u>	<u>11,911,089</u>	<u>11,877,616</u>
Current liabilities	(4,376,132)	(836,165)	(783,990)
Long-term debt	-	(7,966,527)	(8,261,224)
Other liabilities	-	(3,428,082)	(3,011,815)
Total liabilities	<u>(4,376,132)</u>	<u>(12,230,774)</u>	<u>(12,057,029)</u>
Total net assets (liabilities)	6,567,897	(319,685)	(179,413)
Plus amount due from Company	-	312,262	130,058
	<u>\$ 6,567,897</u>	<u>(7,423)</u>	<u>(49,355)</u>

(Continued)

THE VILLAGES OF LAKE-SUMTER, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (See accompanying review report of KPMG Peat Marwick)

4 Transactions with Affiliates, continued

Prior to the merger with the Company, Sunbelt was a C Corporation and was required to pay Federal and state income taxes on its earnings. Included in accrued expenses in the accompanying consolidated balance sheet at December 31, 1993 is \$4,223,000 of Federal and state income taxes related to Sunbelt's final C Corporation tax returns.

Prior year financial statements have also been restated to include the assets, liabilities, and operations of Homecrafters on a combined basis. A summary of Homecrafter's operations for the eleven months ended November 30, 1993 and the year ended December 31, 1992 is as follows:

	<u>1993</u>	<u>1992</u>
Revenues	\$ 277,541	235,817
Operating expenses	(103,603)	(155,925)
Interest expense	(57,511)	(81,356)
Net income (loss)	<u>\$ 116,427</u>	<u>(1,464)</u>

A summary of Homecrafter's net assets, including amounts due to the Company, at November 30, 1993 and December 31, 1992 and 1991 is as follows:

	<u>1993</u>	<u>1992</u>	<u>1991</u>
Current assets	\$ 8,896	2,803	4,777
Property and equipment, net	1,864,105	1,926,766	2,001,575
Total assets	<u>1,873,001</u>	<u>1,929,569</u>	<u>2,006,352</u>
Current liabilities	(192,900)	(408,575)	(503,407)
Long-term debt	(585,445)	(762,270)	(955,170)
Total liabilities	<u>(778,345)</u>	<u>(1,170,845)</u>	<u>(1,458,577)</u>
Total net assets	1,094,656	758,724	547,775
Less amount due to the Company	(890,390)	(672,076)	(458,471)
	<u>\$ 204,266</u>	<u>86,648</u>	<u>89,304</u>

Prior to the merger with the Company, Homecrafters was an S Corporation and as such no Federal or state income taxes were provided in its financial statements.

As of December 31, 1993, the Company acquired the net assets of Lake Tropicana Ranchettes, Inc. ("Tropicana") and Rainbow Acres, Inc. ("Rainbow"). Tropicana and Rainbow were owned by the president of the Company who received cash of \$70,000 and 5.9% notes aggregating \$312,578 (see note 6).

A summary of the net assets purchased is as follows:

Cash	\$ 156,951
Accounts receivable	53,153
Inventories	6,753
Due from the Company	208,953
Total assets	<u>425,810</u>
Less accrued expenses	(43,232)
Total net assets	<u>\$ 382,578</u>

(Continued)

THE VILLAGES OF LAKE-SUMTER, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (See accompanying review report of KPMG Peat Marwick)

5. Notes Payable to Banks

At December 31, 1993, the Company had a \$2,000,000 bank line of credit bearing interest at Prime plus 1% (7.0% as of December 31, 1993) used to finance its homes under construction. This line of credit is collateralized by the homes under construction and the related land. Homes under construction must be subject to a contract and meet other requirements before the bank will advance funds. The Company was not indebted under this line of credit at December 31, 1993.

At December 31, 1993, the Company had an additional \$2,000,000 bank line of credit bearing interest at prime plus 1%, collateralized by developed lots. The Company was not indebted under this line of credit at December 31, 1993.

6. Long-Term Debt

Long-term debt at December 31, 1993 and 1992 consist of the following:

	<u>1993</u>	<u>1992</u>
Unsecured notes payable to president of the Company, interest payable monthly at 6.61%, through 2013. Beginning 2014, monthly payments including interest of \$2,853 due through 2023.	\$ 2,207,299	3,200,839
Mortgage notes payable to bank, payable in monthly installments of \$3,358 through August 1994 and \$20,166 thereafter plus interest at prime plus 1% with a balloon payment due in 1998, collateralized by a shopping center and bowling alley. The Company is expanding the shopping center facility, and \$1.375 million of the notes represents a construction loan for the expansion.	4,687,448	4,709,400
Mortgage note payable to bank, interest payable monthly at 11% with a balloon payment due in 2006, collateralized by shopping center and investment in life insurance contract.	1,724,038	1,900,000
Note payable to bank, payable in monthly installments of \$51,666 plus interest at prime plus 1% maturing in 1998, collateralized by operating assets.	2,893,333	1,866,667
Notes payable to former shareholders, payable in monthly installments of \$19,343 including interest at 10% maturing in 1997 and 2000, collateralized by 22.5 shares of treasury stock.	827,024	968,648
Industrial development revenue bond, payable in monthly installments of \$7,352 plus interest at 7.93%, matures 2005, collateralized by The Villages Country Club golf course.	1,044,176	1,139,752

(Continued)

THE VILLAGES OF LAKE-SUMTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(See accompanying review report of KPMG Peat Marwick)

6. Long-Term Debt, continued	<u>1993</u>	<u>1992</u>
Mortgage note payable to bank, payable in monthly installments of \$10,515 plus interest at prime plus 1% maturing in 1998, collateralized by the Company's administrative office building.	525,750	651,930
Unsecured notes payable to president of the Company for acquisition of Rainbow Acres, Inc. and Lake Tropicana Ranchettes, Inc., payable in monthly installments of \$3,455, including interest at 5.9% through 2003.	312,578	-
Mortgage notes payable to bank, payable in monthly installments of \$17,141 plus interest at prime plus 1% maturing in 1997, collateralized by the Company's hotels.	968,485	385,680
Mortgage note payable to bank, interest payable monthly at prime plus 1% with a balloon payment due in January 1995, collateralized by the Company's model home inventory.	720,000	491,969
Mortgage note payable to bank, payable in monthly installments of \$16,075 plus interest at prime plus 1%, secured by Homecrafters real property. The note was paid off in 1993 (see Note 4)	-	955,170
Mortgage note payable to bank in monthly installments of interest only at prime plus 1%, principal payable \$150,000 per calendar quarter, collateralized by developed commercial property.	2,251,705	-
Mortgage note payable to insurance company in monthly installments of \$28,997 including interest at 9.1%, maturing in 2013, collateralized by a shopping center.	3,190,503	-
Purchase money mortgages payable in installments currently aggregating \$448,891 annually including interest at rates ranging from 5.45% to 8%, collateralized by land held for future development.	2,761,788	-
Other	290,332	775,245
Total long-term debt	<u>24,404,459</u>	<u>17,051,300</u>
Less current installments	(2,254,000)	(1,379,900)
Long-term debt less current installments	<u>\$22,150,459</u>	<u>15,671,400</u>

(Continued)

THE VILLAGES OF LAKE-SUMTER, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (See accompanying review report of KPMG Peat Marwick)

6. Long-Term Debt, continued

Maturities of long-term debt for the years ended December 31, 1994 through 1998 and thereafter are as follows:

1994	\$ 2,254,000
1995	3,203,000
1996	2,421,000
1997	2,447,000
1998	5,051,000
Thereafter	9,028,459
	<u>\$24,404,459</u>

7. Leases

The Company leases its owned shopping centers and retail facilities under various non-cancellable operating leases, which expire at various dates through the year 2013. At December 31, 1993 and 1992, the gross amount of property, plant and equipment leased under operating lease agreements was as follows:

	<u>1993</u>	<u>1992</u>
Shopping centers and retail facilities	\$ 7,946,579	5,095,537
Less accumulated depreciation	(1,235,807)	(802,138)
	<u>\$ 6,710,772</u>	<u>4,293,399</u>

Future minimum lease payments to be received under non-cancellable operating leases for the years ended December 31, 1994 through 1998 and thereafter are as follows:

1994	\$ 975,000
1995	940,000
1996	865,000
1997	791,000
1998	731,000
Thereafter	7,400,000
	<u>\$11,702,000</u>

Rental income for the years ended December 31, 1993 and 1992 amounted to \$796,987 and \$666,962, respectively.

8. Commitments and Contingencies

The Company has entered into land purchase options to acquire 1,955 acres of land for future development. The payments required to exercise these options for the years ended December 31, 1994 through 1998 and thereafter are as follows:

1994	\$ 640,000
1995	545,000
1996	560,000
1997	575,000
1998	510,000
Thereafter	4,397,500
	<u>\$7,227,500</u>

(Continued)

THE VILLAGES OF LAKE-SUMTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(See accompanying review report of KPMG Peat Marwick)

8. Commitments and Contingencies, continued

The Company is not required to make scheduled option payments. However, if a scheduled option payment is not made, the option terminates and the Company forfeits its right to acquire additional property in the future pursuant to the options.

During December 1993, the Company sold a warehouse it acquired in the merger with Homecrafters for a cash price of \$855,000. The purchaser sells building supplies to subcontractors who construct homes at The Villages. The Company has agreed to repurchase the warehouse at decreasing sales prices over the next ten years should its subcontractors not purchase minimum amounts of building materials from the warehouse owner. The Company does not believe it will be required to repurchase the warehouse because it requires its subcontractors to purchase building materials from the warehouse owner.

During 1993, the Company sold a parcel of property to the Lazy B Cattle Venture, Ltd. ("Lazy B"), an affiliated company, and received a \$350,000 subordinated promissory note. Lazy B received an \$850,000 bank financing commitment, which is guaranteed by the Company, to build a fast food restaurant at The Villages. As of December 31, 1993, the balance due on this bank note was \$383,003.

9. Extinguished Debt

In conjunction with the sale of substantially all the assets of Sunbelt Utilities, Inc. (see Note 4), Sunbelt defeased approximately \$8 million of industrial development revenue bonds by irrevocably placing U.S. Government Securities in a trust. The trust is to be used solely in satisfying scheduled payments of principal and interest on the bonds. The extraordinary loss on defeasance before income taxes was \$1,448,638, and is reflected as a reduction in the gain on sale of Sunbelt Utilities, Inc. in the accompanying consolidated Statements of Income.

THE VILLAGES OF LAKE-SUMTER, INC.

Consolidated Financial Statements

December 31, 1995 and 1994

(With Independent Accountants' Review Report Thereon)

Independent Accountants' Review Report

The Board of Directors
The Villages of Lake-Sumter, Inc.:

We have reviewed the accompanying consolidated balance sheets of The Villages of Lake-Sumter, Inc. as of December 31, 1995 and 1994 and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, 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 consolidated financial statements is the representation of the management of The Villages of Lake-Sumter, Inc.

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 reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

February 2, 1996



THE VILLAGE OF LAKE-SUMTER, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1995 AND 1994
(See accompanying review report of KPMG Peat Marwick LLP)

<u>ASSETS</u>	<u>1995</u>	<u>1994</u>
Current Assets:		
Cash, including restricted cash of \$650,000 in 1995 and \$470,000 in 1994	\$ 5,064,439	3,687,616
Accounts and notes receivable, less allowance for doubtful accounts of \$50,000 in 1995 and 1994	1,627,296	1,933,859
Inventories (Notes 2, 6 and 7)	21,449,281	14,350,460
Prepaid expenses	421,906	452,836
Total current assets	28,562,922	20,424,771
Property, plant and equipment, net of accumulated depreciation of \$11,644,492 in 1995 and \$10,241,629 in 1994 (Notes 3, 7 and 8)	36,736,488	29,885,554
Restricted funds held by trustee for capital projects and repayment of debt (Note 4)	2,263,961	9,631,654
Land held for future development and sale (Note 7)	12,689,368	11,716,088
Due from affiliates (Note 5)	3,171,863	2,144,770
Investment in life insurance contract (Note 7)	791,580	725,707
Other assets	1,189,344	685,174
	\$85,405,526	75,213,718
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current Liabilities:		
Note payable bank (Note 6)	2,315,439	100
Customer deposits	6,047,564	5,396,713
Accounts payable	2,658,292	2,310,916
Accrued expenses	2,362,694	1,368,586
Unearned revenues	874,981	803,311
Current installments of long-term debt (Note 7)	3,339,000	2,928,000
Total current liabilities	17,597,970	12,807,626
Long-term debt less current installments (Note 7)	29,586,268	29,850,088
Minority interest in consolidated partnership	164,532	108,648
Shareholders' Equity:		
Common stock, \$100 par value, 100 shares authorized, 50.84 shares issued	5,084	5,084
Additional paid in capital	272,335	272,335
Retained earnings	44,606,670	38,997,270
Less 29.68 shares of treasury stock at cost	(6,827,333)	(6,827,333)
Total shareholder's equity	38,056,756	32,447,356
Commitments and contingencies (Note 9)		
	\$85,405,526	75,213,718

See accompanying notes to consolidated financial statements.

THE VILLAGES OF LAKE-SUMTER, INC.
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 1995 AND 1994
(See accompanying review report of KPMG Peat Marwick LLP)

	<u>1995</u>	<u>1994</u>
Revenues:		
Developed lots and homes	\$77,428,593	70,155,333
Food and beverage services	7,397,793	6,330,860
Homeowner maintenance fees (Note 9)	7,880,801	6,844,857
Retail store operations	6,242,599	3,432,258
Other	5,365,621	5,193,655
Total revenues	<u>104,315,407</u>	<u>91,956,963</u>
Cost of Sales:		
Developed lots and homes	47,507,720	44,661,644
Other	8,302,097	5,590,287
Total cost of sales	<u>55,809,817</u>	<u>50,251,931</u>
Gross profit	48,505,590	41,705,032
Selling, operating and general and administrative expenses, including advertising expense of \$3,431,000 in 1995 and \$2,852,000 in 1994.	36,786,276	29,677,141
Operating profit	<u>11,719,314</u>	<u>12,027,891</u>
Other income (expenses):		
Other income, net (including loss on disposition of property, plant and equipment of \$28,237 in 1995 and \$86,269 in 1994)	204,741	34,825
Interest income	330,142	216,898
Interest expense	(2,704,864)	(2,104,056)
Total other expenses, net	<u>(2,169,981)</u>	<u>(1,852,333)</u>
Net income before minority partners' share of income of consolidated partnership	9,549,333	10,175,558
Minority partners' share of income of consolidated partnership	(80,884)	(80,131)
Net income	<u>\$ 9,468,449</u>	<u>10,095,427</u>

See accompanying notes to consolidated financial statements.

THE VILLAGES OF LAKE-SUMTER, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1995 AND 1994
(See accompanying review report of KPMG Peat Marwick LLP)

	<u>Total</u>	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	
		<u>Shares</u>	<u>Amount</u>			<u>Shares</u>	<u>Amount</u>
Balances - December 31, 1993	\$25,068,566	50.84	5,084	272,335	31,618,480	29.68	(6,827,333)
Net income	10,095,427				10,095,427		
Dividends	(2,716,637)				(2,716,637)		
Balances - December 31, 1994	\$32,447,356	50.84	5,084	272,335	38,997,270	29.68	(6,827,333)
Net income	9,468,449				9,468,449		
Dividends	(3,859,049)				(3,859,049)		
Balances - December 31, 1995	\$38,056,756	50.84	5,084	272,335	44,606,670	29.68	(6,827,333)

See accompanying notes to consolidated financial statements.

THE VILLAGES OF LAKE-SUMTER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1995 AND 1994
(See accompanying review report of KPMG Peat Marwick LLP)

	<u>1995</u>	<u>1994</u>
Cash flows from operating activities:		
Net income	\$ 9,468,449	10,095,427
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,981,034	1,900,808
Minority partners' share of income of consolidated partnership	80,884	80,131
Loss on disposition of property and equipment	28,237	86,269
Cash provided by (used for) changes in:		
Accounts and notes receivable	306,563	(825,548)
Inventories and land held for future development and sale	(8,072,101)	(3,300,865)
Due from affiliates	(1,027,093)	(1,506,290)
Prepaid expenses	30,930	37,965
Other assets	(504,170)	104,034
Customer deposits	650,851	961,359
Accounts payable	347,376	160,048
Accrued expenses	994,108	(4,426,652)
Unearned revenues	71,670	74,493
Net cash provided by operating activities	<u>4,356,738</u>	<u>3,441,179</u>
Cash flows from investing activities:		
Purchase of property and equipment	(8,912,638)	(7,516,112)
Proceeds from sale of property and equipment	52,433	5,268,509
Investment in life insurance contract	(65,873)	(54,968)
Net cash used for investing activities	<u>(8,926,078)</u>	<u>(2,302,571)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	4,614,967	18,223,000
Repayment of long-term debt	(4,467,787)	(6,693,371)
(Increase) decrease in restricted funds held by trustee	7,367,693	(9,631,654)
Net change in notes payable to banks	2,315,339	100
Dividends paid	(3,859,049)	(2,716,637)
Distributions paid to minority partners' of consolidated partnership	(25,000)	(56,251)
Net cash provided by (used for) financing activities	<u>5,946,163</u>	<u>(874,813)</u>
Net increase in cash	1,376,823	263,795
Cash, beginning of year	3,687,616	3,423,821
Cash, end of year	<u>\$5,064,439</u>	<u>3,687,616</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$2,713,000</u>	<u>2,057,386</u>
Debt assumed by Lazy B Cattle Venture, Ltd.	<u>\$ -</u>	<u>3,156,000</u>

See accompanying notes to consolidated financial statements.

THE VILLAGES OF LAKE-SUMTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1995 AND 1994
(See accompanying review report of KPMG Peat Marwick LLP)

1. Organization and Summary of Significant Accounting Policies

Operations

The Villages of Lake-Sumter, Inc. ("The Villages") has developed a retirement community known as The Villages located in Lady Lake, Florida. The Villages constructs and sells single family site built homes, including the related land. Sales are recorded at closing. Funds collected prior to closing are recorded as customer deposits, and are shown as a liability in the accompanying consolidated balance sheets.

The Villages also operates recreational facilities, restaurants, retail stores and a shopping center within the community.

Principles of Consolidation

The consolidated financial statements include the accounts of The Villages and a 75% owned partnership. The partnership operates within the cable television industry. All significant intercompany balances and transactions have been eliminated in consolidation.

Inventories

Inventories are stated at cost which is not in excess of estimated market value. Costs incurred to develop lots and construct homes are capitalized and charged to cost of sales when the lots and homes are sold. Cost of other inventories, consisting primarily of food and beverages and retail merchandise is determined principally using the first-in, first-out method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Normal maintenance and repair costs are expensed as incurred. Depreciation is provided for property, plant and equipment by use of the straight-line method over the estimated useful lives of the assets, as follows:

	<u>YEARS</u>
Buildings and improvements	15 - 31.5
Machinery and equipment	3 - 10
Furniture and fixtures	3 - 10
Vehicles	3 - 5

Unearned Revenues

Unearned revenues primarily relate to annual golf membership and greens fee agreements collected in advance related to The Villages' golf course operations. These fees are recognized as earned revenue evenly over the term of the agreements.

Income Taxes

The Villages and its stockholders have elected under Subchapter S of the Internal Revenue Code to have The Villages' taxable income or loss reported by its shareholders. Because of this election, Federal and state income taxes have not been provided for in the accompanying consolidated financial statements.

Continued,

THE VILLAGES OF LAKE-SUMTER, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (See accompanying review report of KPMG Peat Marwick LLP)

1. Organization and Summary of Significant Accounting Policies, continued

Capital Improvement Revenue Bonds

The Villages has recorded the indebtedness of Village Community Development District No. 1 ("CDD") issued subsequent to the effective date of Emerging Issues Task Force Issue No. 91-10 as required by generally accepted accounting principles. The Villages is required to make payments to the CDD as lots are sold and to make annual installments on unsold lots. Accordingly, The Villages has recorded indebtedness in the amount of \$10,175,000 related to the issuance of Capital Improvement Revenue Bonds by the CDD on November 17, 1994 (see Notes 4 and 7).

Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Financial Instruments Fair Value

The carrying amounts reported in the accompanying consolidated balance sheets for cash, accounts receivable, restricted funds held by Trustee for capital projects and repayment of debt, notes payable bank and accounts payable approximate fair value due to the short term nature of these financial accounts. The carrying value of variable rate long-term debt approximates fair value due to required repricing. The fair value of fixed rate long-term debt is estimated using discounted cash flows based upon the incremental borrowing rates currently available to the company for loans with similar security, terms and maturities. The fair value of fixed rate long-term debt included in the accompanying consolidated balance sheet is estimated to be approximately equal to its carrying value.

2. Inventories

Inventories at December 31, 1995 and 1994 consist of the following:

	<u>1995</u>	<u>1994</u>
Developed lots	\$13,540,479	5,981,947
Homes under construction	6,603,064	7,187,994
Other	1,305,738	1,180,519
	<u>\$21,449,281</u>	<u>14,350,460</u>

The Villages includes developed lots and land actively held for sale as a component of inventory. Land held for future development and sale is excluded from inventory as it will not be available for sale during The Villages' upcoming fiscal year.

Continued,

THE VILLAGES OF LAKE-SUMTER, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (See accompanying review report of KPMG Peat Marwick LLP)

3. Property, Plant and Equipment

Property, plant and equipment at December 31, 1995 and 1994 consist of the following:

	<u>1995</u>	<u>1994</u>
Shopping centers and retail facilities (Note 5)	\$ 5,505,287	5,498,264
Recreational facilities, restaurants and common areas (Note 9)	22,106,438	14,339,072
Construction and related equipment	1,397,561	1,334,184
Sales, administrative and other offices and equipment	19,371,694	18,955,663
	<u>48,380,980</u>	<u>40,127,183</u>
Less accumulated depreciation	(11,644,492)	(10,241,629)
	<u>\$36,736,488</u>	<u>29,885,554</u>

4. Village Community Development District No. 1

During 1992, The Villages, as land owner, formed Village Community Development District No. 1 ("CDD") pursuant to Chapter 190, Florida Statutes. The CDD plans, finances, and constructs the infrastructure improvements, including roads, drainage, and water and sewer facilities necessary for The Villages to construct and sell homes on its Sumter County, Florida property. On June 19, 1992, the CDD sold \$16.4 million of its Capital Improvement Revenue Bonds ("Bonds"). The Villages is required to make payments to the CDD as new homes and the related land are sold within the boundaries of the CDD. The payments to the CDD related to the 1992 Bond issue (\$3,127,000 in 1995 and \$3,702,000 in 1994) are charged to cost of sales when the home and lot are sold. Commencing in 1994, The Villages was required to pay annual assessments for maintenance and debt service, and The Villages paid \$581,045 in 1995 and \$536,508 in 1994 related to the 1992 Bond issue for these assessments on the land it owns within the boundaries of the CDD. These assessment payments are expensed during the year incurred. Indebtedness issued in the CDD's 1992 Bond issue and related infrastructure improvements funded by the CDD are not reflected in the accompanying consolidated balance sheet. The Villages is the owner of all unsold lots within the boundaries of the CDD, and therefore, the CDD is dependent on The Villages for funding for the unsold lots. At December 31, 1995, the balance due on the bonds was approximately \$7,585,000.

On November 17, 1994, the CDD sold \$10,175,000 of its Capital Improvement Revenue Bonds. The Villages has recorded this indebtedness (see Notes 1 and 6) as required by generally accepted accounting principles. Payments made by The Villages to the CDD will be treated as debt payments and interest expense will be recorded on the related indebtedness outstanding.

The CDD received cash of \$9,919,340, which was held by a Trustee, after costs of the offering in the amount of \$255,660. The debt issuance costs are included in other assets in the accompanying consolidated balance sheet and are being amortized as an additional element of interest expense related to the 1994 Bonds. The Villages will increase its land inventory by amounts disbursed by the CDD for improvements related to property owned by The Villages. These inventory costs will be charged to cost of sales as lots are sold. As of December 31, 1995, the CDD had disbursed 1995 bond funds in the amount of \$7,230,170 for improvements which were recorded as an increase in land inventory by The Villages.

The portion of the proceeds from the Capital Improvement Revenue Bonds that has not been disbursed by the Trustee is shown on the accompanying consolidated

Continued,

THE VILLAGES OF LAKE-SUMTER, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (See accompanying review report of KPMG Peat Marwick LLP)

4. Village Community Development District No. 1, continued

balance sheet as "Restricted funds held by trustee for capital projects and repayment of debt. The composition of these funds at December 31, 1995 and 1994 is as follows:

	<u>1995</u>	<u>1994</u>
Construction Fund	\$ 1,329,774	7,967,336
Interest Fund	7,687	646,818
Debt Service Reserve Fund	926,500	1,017,500
	<u>\$ 2,263,961</u>	<u>9,631,654</u>

5. Transactions with Affiliates

The Villages routinely borrows from and advances funds to companies related through common ownership and to certain shareholders. Certain administrative costs are shared by The Villages and its affiliates which are allocated between the companies based on the benefits received.

The Lazy B Cattle Venture, Ltd. ("Lazy B") was formed in 1991 as a retirement program for 17 members of The Villages' management team.

During 1993, The Villages sold property to Lazy B and received a \$350,000 subordinated promissory note which bears interest at Prime +1%. Lazy B obtained bank financing, which is guaranteed by The Villages, and built a fast food restaurant at The Villages.

During 1994, The Villages sold its Winn Dixie and Publix anchored shopping centers to Lazy B. The gross sale price was \$8,413,000 which approximated the net book value of the assets sold. The Villages received cash of \$4,095,000, subordinated promissory notes bearing interest at 8% in the amount of \$1,162,000, and Lazy B assumed The Villages indebtedness in the amount of \$3,156,000. The Villages does not guarantee indebtedness of Lazy B related to these shopping centers.

6. Notes Payable to Banks

At December 31, 1995, The Villages had a \$1,000,000 unsecured bank line of credit bearing interest at Prime (8.75% as of December 31, 1995). The Villages was not indebted under this line of credit at December 31, 1995.

At December 31, 1995, The Villages had an additional \$6,000,000 bank line of credit bearing interest at prime, collateralized by developed lots and undeveloped land within the boundaries of the CDD. The Villages was indebted in the amount of \$2,315,439 under this line of credit at December 31, 1995.

7. Long-Term Debt

Long-term debt at December 31, 1995 and 1994 consist of the following:

	<u>1995</u>	<u>1994</u>
Capital Improvement Revenue Bonds issued by Villages Community Development District No. 1; \$5,450,000 bears interest at 6.75% due in varying installments through 2002 and \$3,815,000 bears interest at 8% due in varying installments through 2015.	\$ 9,265,000	10,175,000

Continued,

THE VILLAGES OF LAKE-SUMTER, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (See accompanying review report of KPMG Peat Marwick LLP)

7. Long-Term Debt, continued	<u>1995</u>	<u>1994</u>
Unsecured note payable to the president and a former stockholder of The Villages, interest payable monthly at 6.61%, through 2013. Beginning 2014, monthly payments including interest of \$25,152 due through 2023.	2,204,299	2,207,299
Mortgage notes payable to bank, payable in monthly installments of \$6,333 plus interest at prime plus 1% with a balloon payment due in 1999, collateralized by a bowling alley.	1,772,240	1,884,417
Mortgage note payable to bank, interest payable monthly at 11% with a balloon payment due in 2006, collateralized by shopping center and investment in life insurance contract.	1,724,038	1,724,038
Note payable to bank, payable in monthly installments of \$92,842 (\$72,500 in 1994) plus interest at prime plus 1% maturing in 1998, collateralized by operating assets.	3,200,107	3,419,167
Notes payable to former shareholders, payable in monthly installments of \$19,343 including interest at 10% maturing in 1997 and 2000, collateralized by 22.5 shares of treasury stock.	497,733	670,570
Industrial development revenue bond, payable in monthly installments of \$7,352 plus interest at 5.74%, matures 2005, collateralized by an 18 hole Country Club golf course.	867,728	955,952
Mortgage note payable to bank, payable in monthly installments of \$10,515 plus interest at prime plus 1% maturing in 1998, collateralized by operating assets.	273,390	410,085
Unsecured notes payable to president of the Villages, payable in monthly installments of \$3,455, including interest at 5.9% through 2003.	261,716	288,932
Mortgage notes payable to bank, payable in monthly installments of \$8,571 plus interest at prime plus 1% maturing in 1999, collateralized by The Villages's hotels.	762,790	865,638
Mortgage note payable to bank, interest payable monthly at prime plus 1% with a balloon payment due in January 1997, collateralized by The Villages's model home inventory.	514,600	440,315
Mortgage note payable to bank in monthly installments of interest only at prime plus 1%, principal payable \$150,000 per calendar quarter, collateralized by developed commercial property.	1,970,902	2,570,902

Continued,

THE VILLAGES OF LAKE-SUMTER, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (See accompanying review report of KPMG Peat Marwick LLP)

7 Long-Term Debt, continued	<u>1995</u>	<u>1994</u>
Mortgage note payable to bank, payable in monthly installments of \$33,333 plus interest at prime plus 1/4% maturing in 2000. Collateralized by the Villages sales and administration building which was completed in 1995.	3,788,478	2,330,821
Mortgage notes payable to bank, payable in monthly installments of \$6,042 plus interest at prime plus 1/4% maturing in 2001, collateralized by The Villages's 27 hole Hacienda Hills golf course, and an additional 9 holes under construction at December 31, 1995.	3,465,744	2,260,028
Purchase money mortgages payable in installments currently aggregating \$445,000 annually including interest at rates ranging from 5.45% to Prime +1%, collateralized by land held for future development.	2,264,491	2,491,434
Other	92,012	83,490
Total long-term debt	<u>32,925,268</u>	<u>32,778,088</u>
Less current installments	<u>(3,339,000)</u>	<u>(2,925,000)</u>
Long-term debt less current installments	<u>\$29,586,268</u>	<u>29,850,088</u>

Maturities of long-term debt for the years ended December 31, 1996 through 2000 and thereafter are as follows:

1996	\$ 3,339,000
1997	3,921,000
1998	4,045,000
1999	4,566,000
2000	2,263,000
Thereafter	<u>14,791,268</u>
	<u>\$32,925,268</u>

During 1995, The Villages capitalized interest in the amount of \$493,000 related to its construction activities.

The net book value of property, plant and equipment pledged as collateral for long-term debt was \$27,570,000 at December 31, 1995.

8. Leases

The Villages leases its owned shopping center and retail facilities under various non-cancellable operating leases, which expire at various dates through the year 2000. The Villages leases retail space to related parties at rates similar to those charged to non-related parties. At December 31, 1995 and 1994, the gross amount of property, plant and equipment leased under operating lease agreements was as follows:

Continued,

THE VILLAGES OF LAKE-SUMTER, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (See accompanying review report of KPMG Peat Marwick LLP)

8. Leases, continued	<u>1995</u>	<u>1994</u>
Shopping centers and retail facilities	\$ 2,292,018	1,946,678
Less accumulated depreciation	(1,130,870)	(868,622)
	<u>\$ 1,161,148</u>	<u>1,078,056</u>

Future minimum lease payments to be received under non-cancellable operating leases for the years ended December 31, 1996 through 2000 and thereafter are as follows:

1996		\$ 261,000
1997		242,000
1998		207,000
1999		145,000
2000		66,000
Thereafter		-
		<u>\$ 921,000</u>

Rental income for the years ended December 31, 1995 and 1994 amounted to \$223,121 and \$898,730, respectively. During 1994 The Villages sold two of its shopping centers (see Note 5).

9. Commitments and Contingencies

The Villages has entered into a land purchase option to acquire 1,320 acres of land for future development. The payments required to exercise this option for the years ended December 31, 1996 through 2000 and thereafter are as follows:

	<u>Option Amount</u>	<u>Acres to be Acquired</u>
1996	\$ 350,000	70
1997	350,000	75
1998	350,000	80
1999	350,000	85
2000	350,000	90
Thereafter	2,800,000	920
	<u>\$4,550,000</u>	<u>1,320</u>

The Villages is not required to make scheduled option payments. However, if a scheduled option payment is not made, the option terminates and The Villages forfeits its right to acquire additional property in the future pursuant to the options. During 1995 and 1994, The Villages acquired 65 and 60 acres, respectively, when it exercised its option with a cash payment of \$350,000 each year.

During December 1993, The Villages sold a warehouse to a purchaser who sells building supplies to subcontractors who construct homes at The Villages. The Villages has agreed to repurchase the warehouse at decreasing sales prices over the next ten years should its subcontractors not purchase minimum amounts of building materials from the warehouse owner. The Villages does not believe it will be required to repurchase the warehouse because it requires its subcontractors to purchase building materials from the warehouse owner.

Continued,

THE VILLAGES OF LAKE-SUMTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(See accompanying review report of KPMG Peat Marwick LLP)

9. Commitments and Contingencies, continued

The Villages is contingently liable for bank indebtedness of Lazy B Cattle Venture, in the amount of \$765,000.

On December 15, 1995, The Villages agreed to sell certain recreation and security facilities and drainage and other common areas, and to assign its right to collect monthly homeowner amenity fees from approximately 5,300 of the approximately 6,700 residences in The Villages to Village Center Community Development District ("Village Center"). Village Center has validated \$25.0 million of its Recreational Revenue Bonds to acquire these assets. The Village Center Recreational Bonds will be payable solely from revenues generated from its recreational activities. Village Center has received a commitment, subject to contingencies, to insure the payment of principal and interest on its tax exempt Recreational Revenue Bonds from a major municipal bond insurance company. There can be no guarantee that the contingencies can be met or that this sale will be consummated. The Villages will record a gain on this sale if it is consummated.

THE VILLAGES TELEPHONE SERVICE

**EXHIBIT
IV**

The Villages Telephone Service

I. THE VILLAGES TELEPHONE SERVICE

PROPOSED

TARIFF

for

LONG DISTANCE TELECOMMUNICATIONS SERVICES

In the state of Florida

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service and facilities for telecommunications services provided by The Villages Telephone Service 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 Villages Telephone Service's principal place of business.

The Villages Telephone Service operates as a competitive telecommunications company as defined by the Florida Public Service Commission.

DATE OF ISSUE: 06/00/96
MONTH/DAY/YEAR

DATE EFFECTIVE: 07/00/96
MONTH/DAY/YEAR

ISSUED BY: H. Gary Morse
NAME OF OFFICER Exec Vice President

1100 Main Street, Lady Lake, FL 32159
ADDRESS

The Villages Telephone Service

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DATE OF ISSUE: 06/06/96
MONTH/DAY/YEAR

DATE EFFECTIVE: 07/06/96
MONTH/DAY/YEAR

ISSUED BY: H. Gary Morse
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The Villages Telephone Service

III. 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 sheets 8 and 9 would be 8.1.
- B. Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the Florida Public Service Commission. For example, the 3rd revised Sheet 8 cancels the 2nd revised Sheet 8.
- C. Paragraph Numbering Sequences - 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).1.
 - 2.1.1.A.1.(a).1.(i).
 - 2.1.1.A.1.(a).1.(i).(1).
- D. The term "Company" used throughout this tariff refers to The Villages Telephone Service.
- E. The term "Customer" used throughout this tariff refers to the customers of Company.

DATE OF ISSUE: 06/06/96
MONTH/DAY/YEAR

DATE EFFECTIVE: 07/06/96
MONTH/DAY/YEAR

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The Villages Telephone Service

IV. EXPLANATION OF SYMBOLS

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

C - To signify changed regulation

D - To signify discontinued rate, regulation or test

I - To signify change resulting in an increase to a customer's bill

M - To signify material relocated from one page to another without change

N - To signify new rate, regulation, or test

R - To signify change resulting in a reduction to a customer's bill

S - To signify reissued material

T - To signify change in text or regulation but no change in rate or charge

DATE OF ISSUE:	06/00/76 MONTH/DAY/YEAR	DATE EFFECTIVE:	07/00/76 MONTH/DAY/YEAR
ISSUED BY:	H. Gary Morse NAME OF OFFICER	Exec Vice President TITLE	1100 Main Street, Lady Lake, FL 32119 ADDRESS

The Villages Telephone Service

V. RULES AND REGULATIONS

1. Undertaking of Company

Company's services and facilities are furnished for communications originating and terminating within the state of Florida under the terms of this tariff.

1.2. Limitations

1.2.1. Service is offered subject to the availability of the necessary facilities and equipment, or both facilities and equipment, and subject to the provisions of this tariff. Specifically, until further notice all services offered by this tariff are only available to the businesses and residents which have an NPA of either 904 or 352 and are located in one of the following cities with an associated NXX of:

Astor-759	Bellevue-245, 347	Clermont-242, 394, 978
Eustis-357, 483, 589	Forest-625	Groveland-429 Howey-324
Lady Lake-750, 753, 821	Leesburg-319, 323, 326, 360, 365, 406, 728, 787	
Montverde-469	Mt. Dora-383, 735	Ocala-236, 237, 351, 368, 407, 620, 627, 624, 629, 690, 694, 732, 812, 816, 840, 843, 854, 867, 873, 895, 898
Salt Springs-685	Silver Springs Shores-680, 687	TAVENNES-343, 742
Umatilla-669	Wildwood-330, 748	

1.2.2. The Company reserves the right to discontinue or limit service upon written notice when the customer is using the service in violation of provisions of this tariff, or in violation of the law.

1.2.3. The services provided under this tariff are directly or indirectly controlled by Company and the customer may not alter or affect the services nor transfer or assign its use of the services without the express written consent of the Company, which consent may be withheld, without limitation, by Company in its sole discretion at any time such alteration, effect, transfer or assignment would result in an interruption of the services or a change in the customer's location to which the services are to be provided.

1.2.4. In the event prior written permission from the Company is given for any assignment or transfer, all regulations and conditions contained in this tariff shall apply to all such permitted assignees or transferees.

DATE OF ISSUE: 06/06/96
MONTH/DAY/YEAR

DATE EFFECTIVE: 07/06/96
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The Villages Telephone Service

V. RULES AND REGULATIONS

1.3. Liabilities of the Company

1.3.1. The Company has no liability for damages arising out of mistakes, interruptions, omissions, delays, errors, or defects in the transmission occurring in the course of furnishing service or facilities. The Company's liability for such damages occurring in the course of furnishing the Company's services but not caused by its gross negligence or willful misconduct or that of its employees or agents, in no event shall exceed an amount equivalent to the proportionate charge to the customer for the period during which such mistakes, interruption, omissions, delays, errors, or defects in the Company's furnishing of its services occur.

1.4. Interruption of Service

1.4.1. Credit allowance for the interruption of service is subject to the general liability provision set forth in Section 1.3.1. herein. The customer shall receive no credit allowance for interruption of service which is due to the Company's testing or adjusting, negligence of the customer, or to the failure of channels or equipment provided by the customer. It shall be the obligation of the customer to notify the Company immediately of any interruption in service for which a credit allowance is claimed. Before giving such notice, the customer shall ascertain that the trouble is not being caused by any action or omission within the customer's control, or is not in wiring or equipment, if any, furnished by the customer in connection with the Company's services.

1.4.2. 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.

1.4.3. No credit shall be allowed:

- (A) For failure of services or facilities of customer or other carriers; or
- (B) For failure of services or equipment caused by the negligence or willful acts of customer or others.

DATE OF ISSUE:	06/01/96 MONTH/DAY/YEAR	DATE EFFECTIVE:	07/08/96 MONTH/DAY/YEAR
ISSUED BY:	H. Gary Morse NAME OF OFFICER	Exec. Vice President TITLE	1100 Main Street, Lady Lake, FL 32159 ADDRESS

The Villages Telephone Service

V. RULES AND REGULATIONS

1.4. Interruption of Service (con't.)

1.4.4. Credit for an interruption shall commence after customer notifies the Company of the interruption or when the Company becomes aware thereof, and ceases when service has been restored. For purposes of credit computation, every month shall be considered to have 720 hours. No credit shall be allowed for an interruption of a continuous duration of less than two hours.

1.4.5. 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 service affected for each hour or major fraction thereof over the first two hours that the interruption continues.

1.5. Obligations of the Customer

1.5.1. The customer is obligated to place an order for origination, termination, and/or changes to Company service or facilities; pay all charges for service or facilities rendered by Company; and to comply with all Company's regulations governing the provision of service or facilities. The customer is also responsible for assuring that its authorized users comply with the regulations of Company, as specified in this tariff.

1.5.2. When placing an order for service or facilities, the customer must provide:

(A) Name(s) and address(es), of the person(s) liable for the payment of service charges. In the case of a corporation or partnership, a designated individual shall be named responsible for such bill responsibility.

(B) Name(s), address(es), and telephone number of person(s) to whom notices shall be addressed by Company.

(C) Location(s) at which facilities and services are to be provided.

1.5.3. The customer shall reimburse Company for the replacement or repair of Company's equipment when the damage results from:

(A) Negligence or willful act of the customer's employees, agents, or contractors, or authorized users.

DATE OF ISSUE: 06/00/96
MONTH/DAY/YEAR

DATE EFFECTIVE: 07/00/96
MONTH/DAY/YEAR

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The Villages Telephone Service

V RULES AND REGULATIONS

1.5. Obligations of the Customer (con't.)

1.5.3. (con't.)

(B) Loss through theft, fire, flood, cable cuts, or other catastrophes to Company provided equipment or facilities located on the customer's premises.

1.6. Availability of Service / Facilities for Maintenance, Testing and Adjustment

1.6.1. Upon reasonable notice, Company reserves the right of entrance for its employees, agents, or contractors to the premises of the customer for the purpose of installing, inspecting, repairing, or general maintenance of the service or facilities of Company. It is the responsibility of the customer to make necessary arrangements for entrance of Company's employees, agents, or contractors. No interruption allowance will be granted for the time during which such tests and adjustments are made.

1.7. Payment and Billing

1.7.1. The customer is responsible for payment of all regulated charges for service furnished.

(A) Service is provided and billed in arrears on a monthly (30 days) basis for measured services and billed in advance for privateline non switched services.

(B) the bills for services rendered or to be rendered in the case of privateline non-switched services are due upon receipt and considered delinquent 10 days from the date of the invoice.

(C) the Company may require a deposit if the customer is unable to establish a good credit rating, or if the customer has undisputed charges in two (2) out of the last twelve (12) billing periods which have become delinquent. The deposit shall not exceed estimated charges for two months service based on the average bill during the preceding twelve months or in the case of new applicants, two months average monthly bill for all customers within a customer class. The deposit shall bear interest at a rate of 9% simple

DATE OF ISSUE: 06/00/96
MONTH/DAY/YEAR

DATE EFFECTIVE: 07/00/96
MONTH/DAY/YEAR

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The Villages Telephone Service

V. RULES AND REGULATIONS

1.7. Payment and Billing (con't.)

1.7.1. (con't.)

- (c) interest per annum, and will be returned upon satisfactory payment of all undisputed charges during the last 12 billing periods, or discontinuance of service.
- (D) At the time an application for service is made, an applicant may be required to pay an amount equal to at least one month's service and/or service connection charges, which may be applicable to the customer's account on the first bill rendered.

1.8. Discontinuance of Service

1.8.1. The Company may discontinue the service under the following circumstances, provided suitable notice has been given to the customer, as required:

- (A) Non-payment of any sum due to the Company for service for more than fifteen (15) days beyond the bill date for such service;
- (B) A violation of or failure to comply with any regulation governing the furnishing of service; or
- (C) An order of a court or other government authority having jurisdiction which prohibits the Company from furnishing service; or
- (D) Failure to post a required deposit; or
- (E) Material misrepresentation of identity in obtaining service or the use of service in a manner that in the opinion of the Company constitutes fraud or abuse.

1.8.2. Service shall not be disconnected unless written notice by first class mail is sent or delivered to the customer at least 5 days prior to the date of the proposed discontinuance. At least 24 hours preceding discontinuance, a reasonable effort shall be made to contact the customer to advise him of the proposed discontinuance and what steps must be taken to avoid it.

DATE OF ISSUE:	06/00/96 MONTH/DAY/YEAR	DATE EFFECTIVE:	07/00/96 MONTH/DAY/YEAR
ISSUED BY:	H. Gary Morse NAME OF OFFICER	Exec Vice President TITLE	1100 Main Street, Lady Lake, FL 32159 ADDRESS

The Villages Telephone Service

V. RULES AND REGULATIONS

1.9. Measurement of Distance

1.9.1. The distance between the Company's switch and destination point is calculated using the "V" and "H" coordinates in the following manner:

- (A) Obtain the "V" and "H" coordinates for each called from number utilizing equal access or phone number on customer's master file using authorization codes and the destination point.
- (B) Obtain the difference between the "V" coordinates for each of the areas. Obtain the difference between the "H" coordinates.
- (C) Square each difference obtained in Step B.
- (D) Divide the sum of the squares obtained in Step C by ten (10). Round to the next higher whole number, if any fraction is obtained.
- (E) Obtain the square root of the whole number obtained in Step D. Round to the next higher whole number, if any fraction is obtained. This is the distance between the areas.

DATE OF ISSUE: 06/00/96
MONTH/DAY/YEAR

DATE EFFECTIVE: 07/00/96
MONTH/DAY/YEAR

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The Villages Telephone Service

DEFINITIONS

2.1. Definitions

Access Line - An arrangement which connects the customer's location to a Company switching center or point of presence.

Authorized User - A customer, or a person designated by a customer to use or communicate over such services or facilities as may be provided by this tariff.

Company - The Villages Telephone Service

Commission - The Florida Public Service Commission.

Customer - any individual, corporation, partnership or other entity which utilizes the services provided by the Company on a subscription basis.

Dedicated - A nonswitched privateline circuit type of access where the customer accesses the Company network to receive (1+) and (800) services at a lower rate than Switched services.

Day - From 8:00 AM up to but not including 5:00 PM local time Monday through Friday.

Evening - From 5:00 PM up to but not including 11:00 PM local time Monday through Friday.

Night - From 11:00 PM up to but not including 8:00 AM local time Monday through Friday.

Weekend - From 8:00 AM up to but not including 8:00 AM local time Saturday through Monday.

Holidays - The company observes the following holidays: New Year's Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

DATE OF ISSUE: 06/00/96
MONTH/DAY/YEAR

DATE EFFECTIVE: 07/06/96
MONTH/DAY/YEAR

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The Villages Telephone Service

DEFINITIONS

2.1. Definitions (cont'd)

Individual Case Basis - The term Individual Case Basis (ICB) denotes a condition in which the regulations, if applicable, rates and charges for an offering under the provisions of this tariff are developed based on the circumstances, including costs to provide service, in each case.

LEC - Local Exchange Company

VCC - Villages Calling Card

VDC - Villages Debit Card

VOS - Villages Outbound Service, (1+) direct long distance service

VIS - Villages Inbound Service, (800/888) direct long distance service

Switched - Where originating and terminating access between the Customer and Company is provided on local exchange company Feature Group circuits.

Monthly Charge - Is the fixed monthly charge for non-switched privateline services plus any associated usage sensitive services.

Monthly Service Charge - Is the fixed monthly fees charged to Customers of the Company to cover the billing and administrative expenses of the Company.

DATE OF ISSUE: 06/00/96
MONTH/DAY/YEAR

DATE EFFECTIVE: 07/00/96
MONTH/DAY/YEAR

ISSUED BY: H. Gary Morse
NAME OF OFFICER TITLE

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The Villages Telephone Service

DESCRIPTION OF SERVICES AND RATES

3.1. Villages Outbound Service (VOS)

3.1.1 Company's VOS is a Switched and Dedicated 1+ long distance service and is flat rated for all time periods. Usage is billed in six (6) second increments with a thirty (30) second minimum. The cost per minute is as follows:

Dedicated	\$00.1000 per minute
Switched	\$00.1800 per minute

3.2. Villages Inbound 800/888 Service (VIS)

3.3.1 Company's VIS service is a switched and Dedicated Inbound long distance service and is flat rated for all time periods. Usage is billed in six (6) second increments with a thirty (30) second minimum. The cost per minute is as follows:

Dedicated	\$00.1000 per minute
Switched	\$00.1800 per minute

3.3. Dedicated Interexchange Digital Private Line Service

3.3.1. Transmission facilities between Company service points which when connected with dedicated access to customer locations, allows for communications between locations of the customer, or his authorized user. These combined facilities are utilized on a dedicated (non-switched) basis between two or more customer locations, as specified by the customer.

3.4. Villages Calling Card (VCC)

3.4.1. Company's VCC service is a flat rated switched product that allows the Customer to utilize VTS long distance service when they are unable to use VOS. Usage is billed in full minute increments.

Switched	\$00.2500 per minute
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DATE OF ISSUE: 06/06/96
MONTH/DAY/YEAR

DATE EFFECTIVE: 07/06/96
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Exec Vice President
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The Villages Telephone Service

DESCRIPTION OF SERVICES AND RATES (con't)

3.5. Villages Debit Card (VDC)

3.5.1. Company's VDC service is a flat rated switched product that allows the customer to utilize VTS long distance service when they are unable to use VOS. Usage is paid for by Customer in advance and billed in full minute increments.

Switched \$00.2500 per minute

3.6. COMPANY Dedicated Interexchange Digital Private Line Service (cont'd)

3.6.2. (A) Voice Grade Facility

Two point effective two-four wire voice grade analog or 64 Kbps digital interface (digitalized voice or otherwise compatible 64 Kbps bit stream facility)

Rate \$ ICB

3.6.3. (B) DS1/1.544 Mbps Facility

Two point digital interface operating at 1.544 Mbps, which may be furnished on either a channelized or non-channelized basis

Rate \$ ICB

3.6.4. Rates for services offered on an individual case basis (ICB) will be structured to recover the Company's cost of providing the services. Terms of specific ICB contracts will be made available to the commission upon request on a proprietary basis.

SPECIAL PROMOTIONS

4.1. Special Promotions

4.1.1. Company may from time to time engage in special promotional service offerings designed to attract new customers or to increase existing customers awareness of a particular tariff offering. These promotions will be subject to prior notification and approval by the Florida Public Service Commission.

DATE OF ISSUE:	06/00/96 MONTH/DAY/YEAR	DATE EFFECTIVE:	07/00/96 MONTH/DAY/YEAR
ISSUED BY:	H. Gary Morse NAME OF OFFICER	Exec Vice President TITLE	1100 Main Street, Lady Lake, FL 32159 ADDRESS