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APPLICATION OF

Global Link Teleco Coprporation

FOR AUTHORITY TO PROVIDE

INTEREXCHANGE TELECOMMUNICATION SERVICE

WITHIN THE

STATE OF FLORIDA

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

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FPSC-RECORDS/REPORTING

1. This is an application for (check one) :
   - (X) **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 alternate operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

   (X) **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:

   Global Link Telecc Corporation ("Global Link")

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

   Global Link or Glebal Telecommunications Solution, Inc. ("GTS")

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

   Global Link Teleco Corporation
   5697 Rising Sun Avenue
   Philadelphia, PA 19120

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

c/o United Corporate Services
801 NE 167th Street, Suite 300
North Miami Beach, FL 33162

7. Structure of organization;

( ) Individual
( ) Foreign Corporation
( ) General Partnership
(X) Corporation
( ) Foreign Partnership
( ) Limited Partnership
( ) Other, ____________________

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

(a) Provide proof of compliance with the foreign limited partnership statute (Chapter 620.169 FS), if applicable. **NOT APPLICABLE**

(b) Indicate if the individual or any of the partners have previously been: **NOT APPLICABLE**

(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 the 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: **F94000003703**

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

c/o United Corporate Services
801 NE 167th Street, Suite 300
North Miami Beach, FL 33162

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

Fictitious name registration number: **NOT APPLICABLE**

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

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

NO

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

GTS's current General Counsel and Secretary, David S. Tobin was formally employed with Peoples Telephone Company, Inc.("Peoples"), a diverse telecommunications service company. Mr. Tobin held the position of Assistant General Counsel. Following approximately three years employment with Peoples, Mr. Tobin resigned in February 1995 to join Global Link Teleco Corporation.

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

(a) The application; **Kenneth Hoffman, Esq,**
Rutledge, Ecenia, Underwood, Purnell & Hoffman, P.A.
215 South Monroe Street, Suite #420
Tallahassee, FL 32301
Phone 904-681-6788
Fax 904-681-6515

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

David S. Tobin
GTS/Global Link
5697 Rising Sun Avenue
Philadelphia, PA 19120
Phone 215-342-7700
Fax 215-745-9108

c) Tariff; **Same As (b), above.**

(d) Complaints/ Inquiries from customers; **Same as (b) above.**

11. List the status in which the applicant:

(a) Has operated as an interexchange carrier.

GTS is certified as a Section 214 International Telecommunications Service carrier with the FCC. Also, Global Link has filed its informational tariff with the FCC. The Company is beginning the application process in a number of states around the country.

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

GTS and/or Global Link has applications/petitions pending in the States of Connecticut and Georgia. The Company is beginning the application process in a number of other states around the country.

(d) Is certificated to operate as an interexchange carrier.
NONE

(d) Has been denied authority to operate as an interexchange carrier and the circumstances involved. **NONE**

(e) Has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved. **NONE**

(f) Has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved. **NONE**

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

( ) Facilities. ( ) Operators.
( ) Billing and Collection. ( ) Sales.
( ) Maintenance.
( ) Other: ______________________ **NONE**

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

14. Will your marketing program:

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

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

Global Link offers distributors and retailers of its phone cards discounts/commissions in the range of 20% - 35%, depending on sales volumes.

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

( ) Residential customers. (X) Business customers.
( ) PATS providers. ( ) PATS station end-users.
( ) Hotels and motels. ( ) Hotel and motel guests.
( ) Universities ( ) University dormitory residents.
(X) Other: (specify) **Purchasers of the Company's prepaid calling cards**

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?

The Company offers prepaid calling card services; there is no bill provided with such services. Each card includes the name and address, and toll free number of Global Link for any questions.

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

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

A. Financial capability. **ATTACHED AS EXHIBIT "1".**

Regarding the showing of financial capability, the following applies:
The application should contain the applicant's financial statements, including:

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

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

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

B. Managerial capability. **ATTACHED AS EXHIBIT "2".**

C. Technical capability. **ATTACHED AS EXHIBIT "2".**

19. Please submit the proposed tariff under which the company plans to begin operation. Use the format required by the Commission Rule 25-24.485 (example enclosed).
ATTACHED AS EXHIBIT "3".

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
_X__ Method of access is 800

___ **MTS for pay telephone service providers**

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

___ **800 Service (Toll Free)**

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

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

___ **Travel Service**
___ Method of access is 950
___ Method of access if 800

___ **900 Service**

____ **Operator Services**

____ Available to presubscribed customers

____ Available to non presubscribed customers (for example for patrons of hotels, students in universities, patients in hospitals.)

____ Available to inmates

Services included are:

____ Stations 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)?

The user dials an 1-800 access number, a personal identification number, and then the terminating number in order to complete a call.

22. ____ Other:

** APPLICANT ACKNOWLEDGMENT 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 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 officer of the named utility in application, attest to the accuracy of the information contained in this application and associated attachments. I have read the forgoing 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 make 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: [signature] as CEO — Signature   9/17/96 — Date

Chief Executive Officer — Title   215-342-7700 — Telephone No.

** APPENDIX A **

CERTIFICATE TRANSFER STATEMENT

NOT APPLICABLE

I, ______________________, ______________________ of ______________________, and current holder of certificate number ______________________, have reviewed this application and join in the petitioner's request for a transfer of the above-mentioned certificate.

UTILITY OFFICIAL: [signature] as CEO
Signature

9/17/96
Date

____

Chief Executive Officer
Title

215-342-7700
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):

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

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

UTILITY OFFICIAL: [signature] as CEO — Signature; 9/17/96 — Date

Chief Executive Officer — Title; 215-342-7700 — Telephone No.

** APPENDIX C **

INTRASTATE NETWORK

1. POP: Addresses where located, and indicate if owned or leased.

NOT APPLICABLE

1). 2).
3). 4).

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

1). 2300 NW 89th Place, Miami, Florida Type Owned- NACT

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

NOT APPLICABLE

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)

The Company will have state wide origination.

5. TRAFFIC RESTRICTIONS: Please explain how the applicant will comply with the EAEA requirements contained in Commission Rule 25-24.471 (4) (a).

The Company will provide services over resold facilities, and will utilize 1-800 access. This provision of service complies with the requirements of 25-24.471 (4) (a).

6. CURRENT FLORIDA INTRASTATE SERVICES: Applicant has ( ) or has not (X) 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?
b) If the services are not currently offered, when were they discontinued?

UTILITY OFFICIAL: [signature] CEO 9/17/96

Signature Date

Chief Executive Officer 215-342-7700

Title Telephone Number

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-KSB

(Mark One)

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
For the fiscal year ended December 31, 1995

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from ________ to ________

Commission file number 1-13478

GLOBAL TELECOMMUNICATION SOLUTIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

13-358527
(I.R.S. Employer Identification No.)

40 Elmont Road
Elmont New York 11003
(516) 326-1940
(Address, including zip code, and telephone number, including area code, of registrant's executive offices)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class:	Name of Each Exchange on Which Registered
Common Stock	Boston Stock Exchange
Common Stock Purchase Warrants	Boston Stock Exchange

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

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes _X_ No ___

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

The issuer's revenues for its most recent fiscal year were $3,144,350.

State the aggregate market value of the voting stock held by nonaffiliates computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within the past 60 days: As of April 9, 1996, the aggregate market value of such stock was $14,041,563.25.

State the number of shares outstanding of each of the issuer's class of common equity, as of the latest practicable date: As of April 9, 1996, the number of shares of Common Stock outstanding was 4,912,801.

EXHIBIT INDEX - NOT APPLICABLE

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

General

Global Telecommunication Solutions, Inc. ("Company" or "GTS") designs, develops and markets prepaid phone cards featuring licensed, promotional and standard graphics. The Company markets its prepaid phone cards as a convenient alternative to credit calling cards and conventional coin or collect long distance calls. The Company also provides card user access to long distance service through its switching facilities and long distance network arrangements. The Company's phone cards are designed to promote a high level of consumer awareness and appeal by combining creative graphic designs and widely-recognized concepts, characters and/or images with long distance service features and ancillary advertising and promotional benefits, such as broadcast messaging, voice mail, foreign language instruction, customized information and advertising, celebrity and character voices and customized greetings.

Acquisition of Global Link

On February 29, 1996, the Company acquired Global Link Teleco Corporation ("Global Link"). Global Link markets and sells prepaid phone cards through its retail phone centers and wholesale distribution network. See "Certain Relationships and Related Transactions - The Global Link Acquisition." The Company anticipates that the acquisition of Global Link will sign̶ificantly increase its customer base and revenues and, through economies of scale, improve operating margins.

Global Link markets its prepaid phone cards through various wholesale distributors and retailers, including supermarkets, convenience stores, travel agents and tour wholesalers, to consumers seeking economical and convenient long distance services and to international travelers for use in the United States and abroad. Global Link also markets its prepaid phone cards to corporations seeking phone cards for promotional use, internal use or sale to the corporations' customers.

Global Link's retail phone centers also market and sell the Global Link™ phone card to provide public telecommunications services to urban residents who may not otherwise have a medium to place international and domestic long distance calls. Many lower income urban households with telephones do not have access to interexchange telecommunications services, often due to poor credit or unavailability. The Global Link phone card enables the Company's customers to place telephone calls from any touch-tone telephone or the Company's retail phone centers.

Global Link's retail phone centers are brightly lit, attractive environments located in urban shopping areas having a high volume of pedestrian traffic. Each retail phone center has a street level store front offering high and easy accessibility. These retail phone centers provide two primary functions: (i) to sell Global Link's phone cards and (ii) to enable the customers to place telephone calls and pay for those calls with the phone card. Other services, including money transfers, mailbox rentals, photocopying, may also be provided at some of Global Link's retail phone centers. Such other services, however, do not and are not expected to constitute a material part of the retail phone centers' business. Global Link currently operates 12 retail phone centers in Brooklyn and Queens, New York and South Miami Beach, Florida.

Corporate Background

GTS and Global Link were incorporated under the laws of the State of Delaware in December 1992 and March 1994, respectively. The Company's principal executive offices are located at 40 Elmont Road, Elmont, New York 11003 and its telephone number is (516) 326-1940. Global Link's offices are located at 5697 Rising Sun Avenue, Philadelphia, Pennsylvania 19120 and its telephone number is (215) 342-7700.

Long Distance Services and Features

The Company provides card user access to long distance telephone services through its long distance network arrangements and its switching facilities.

Domestic Long Distance Services. The Company has agreements with WorldCom, Inc. ("WorldCom") and MCI Communications Corporation ("MCI") to direct domestic long distance calls over these carriers' networks. Additionally, Global Link has entered into an agreement with Sprint Communications Co. L.P ("Sprint") to direct long distance calls over Sprint's network. The Company also has arrangements with Sprint and IDB WorldCom Services, Inc. ("IDB WorldCom") to direct international long distance calls (and domestic calls in the case of IDB WorldCom) over these carriers' networks. MTS also provides the Company with telecommunications services in Canada under the terms of the MTS Agreement. Additionally, Global Link has an arrangement with Trescom International, Inc. ("Trescom") to direct international long distance calls over Trescom's network. Pursuant to these arrangement, the Company leases long distance lines owned by the long distance carriers and is billed monthly for calls directed by the Company's switching facility. As a volume purchaser of long distance services, these agreements provide the Company with the ability to purchase long distance services at rates which are less expensive than those charged to individuals. The per-minute rates charged by the Company to consumers varies and is determined based on the type of card, the features provided by the card and the Company's costs in producing the card, including royalty fees. The Company anticipates that, as the volume of long distance minutes generated by consumers utilizing the Company's cards increases, it will be able to negotiate more favorable rates.

The Company's agreements with WorldCom and MCI will expire during 1996, but can be renewed at the option of the Company. Global Link's agreement with Sprint for domestic services is for a term of five years and can be renewed at the option of Global Link thereafter. Under the terms of these agreements, the Company is typically obligated to satisfy certain minimum monthly or annual service usage through the carrier. In the event that the Company fails to satisfy such requirements, the Company is required to pay underutilization charges (equal to the difference between the actual calling volume and the applicable minimum requirement) and, in addition, if the Company terminates an interconnect agreement, it would be required to pay an early termination charge equal to the underutilization charge for the year, plus a penalty based upon required minimum requirements. The Company has satisfied its minimum requirements for 1995 and anticipates that it will satisfy such requirements for 1996. The arrangements with each of Sprint (for international service), IDB WorldCom and Trescom are open-ended arrangements and do not provide for minimum volume requirements.

Switching Facilities. The Company's computerized digital switching equipment routes incoming calls and debits cards as long distance service is accessed. The capacity of the Company's switching equipment is limited, but can be upgraded to provide additional capacity as needed. In addition to providing consumer access to domestic and international long distance service, the Company, through its switching facilities can provide enhanced telephonic features and services, including (i) customized voice greetings (which the Company believes is an attractive feature to advertisers), (ii) customized information services (which can provide access to informational services, such as regional weather reports and monthly news letters), (iii) voice mail boxes, (iv) broadcast messaging, (v) foreign language instruction and (vi) information collection services (by which the Company, through its switching equipment, monitors and collates card usage data to provide marketing and demographic information to corporate customers). Generally, callers accessing enhanced telephonic features are charged for such access at a rate printed on the card or the card's packaging and disclosed by computerized voice prompts at the time such features are being accessed. In connection with certain promotional and licensed graphic cards, however, enhanced telephonic features, such as customized information services, may be provided to callers at no additional charge. The Company seeks to design and develop additional enhanced telephonic features in order to increase the marketability of its cards and satisfy individual customer requirements. To date, these services have been provided on a limited basis.

<u>Domestic Switching Facilities.</u> Domestic and international long distance telephone calls originating within the United States are routed through one of the Company's switching facilities or routed through the

switching equipment of one of the Company's vendors. The Company's switching facilities are located in Elmont, New York, Atlanta, Georgia, Miami, Florida and Jersey City, New Jersey. In addition to its own switching facilities, the Company utilizes the switching facilities of outside vendors including West Interactive Corp., InComm, a subsidiary of U.S South Communications, Inc., and Interactive Media Works Inc. Each of these vendors provides switching facilities and network services to the Company and the Company pays monthly fees based on minutes of calling time generated and/or quantity of PIN numbers programmed for use with phone cards.

The Company has an arrangement with EarthCall Communications Corp. (formerly Interactive Services Inc.) to administer, maintain and manage the daily operations of the Company's switching equipment located in Atlanta, Georgia for which the Company pays a monthly fee based on the number of the Company's phone cards which are activated during the month. The Company's switching facilities located in Elmont, New York are located within the Company's principal executive offices and are maintained by the Company's employees and by the manufacturer of the equipment. Global Link's switching facilities located in Miami, Florida are located at the offices of Peoples Telephone Company, Inc. ("Peoples") and are maintained by the Company's employees, with the assistance of Peoples representatives in the event of an emergency. Global Link's switching facilities located in Jersey City, New Jersey are located at NTT Data Communications Systems Corporation, an affiliate of NTT America, Inc. ("NTT"), a Global Link customer, and are maintained by Global Link's employees, with the assistance of NTT representatives in the event of an emergency.

Canadian Switching Facilities. All calls originating within Canada are routed through MTS' switching facilities located in Winnipeg, Manitoba. The switching facilities are located at MTS' offices and are maintained by MTS personnel.

International Switching Facilities. The Company has recently installed switching facilities at Viatel's telecommunications operations center located in Omaha, Nebraska and intends to install switching facilities at Viatel's telecommunications operations center located in London, England. The Company's switching facilities located at Viatel's operations centers will be utilized to route telephone calls originating within Europe and terminating within Europe and/or the United States.

Sales and Marketing

To date, the Company has marketed its phone cards (i) directly to the end user through its retail phone centers, (ii) to retail establishments such as convenience stores, supermarkets, discount stores, mass merchandisers, check cashers, travel offices and airlines, (iii) through distributors which distribute the Company's phone cards directly to retail establishments or the end user, (iv) through marketing arrangements with companies having established distribution channels and (v) as promotional items to corporations and other entities. The Company intends to expand its in-house sales and marketing department, which will continue to market the Company's phone cards directly to retail establishments, and to continue to identify strategic partners which already have distribution channels or networks in place to establish marketing arrangements whereby those distributors will sell the Company's phone cards through their own distribution networks. The Company regularly participates in trade shows, direct marketing and print advertising, and develops promotional kits to market its promotional and custom designed cards to large corporations.

Design and Manufacturing

The Company's phone cards are designed internally by the Company utilizing its in-house design capabilities. The Company currently engages an in-house staff of five creative personnel who are responsible for designing the Company's phone cards. The Company's staff creates original designs for promotional and custom designed cards and develops the layouts for cards featuring licensed graphics. Additionally, the Company's principal offices house a digital recording studio, which allows the Company to internally record voice messages and other audio presentation and to design interactive and other applications for its cards.

Upon completion of the design of a phone card, the Company produces paper production samples of such card, converts it into a film production sample and delivers it to a manufacturer, which prints the card on plastic sheets and cuts the sheets into phone cards. The Company utilizes several manufacturers for the production of its phone cards and believes that there are adequate sources of supply and manufacturing capacity to address the Company's requirements.

Government Regulation

Long distance telecommunication services are subject to regulation by the FCC and by state regulatory authorities. Among other things, these regulatory authorities impose regulations governing the rates, terms and conditions for interstate and intrastate telecommunication services. The federal law governing regulation of interstate telecommunications is undergoing substantial change as a result of the Communications Act of 1996 (the "Communications Act of 1996") which was passed by Congress on February 1, 1996 and signed into law by President Clinton on February 8, 1996. The Communications Act of 1996, among other things, preempts the rights of states to prohibit competition in the telecommunications industry, will require the local exchange carriers to make available their services on an unbundled basis and to provide interconnection to their local exchange networks to competitors, and allows the local exchange carriers, including the Region Bell Operating Companies to provide long distance services and engage in the manufacturing of telecommunications equipment. As a result of the Communications Act of 1996, the Federal Communication Commission ("FCC") must undertake many proceedings to further define the rules affecting competition in the telecommunications industry and the companies that participate in such industry. While the Company believes that the Communication Act of 1996 will foster open competition in the telecommunications industry and potentially create new opportunities for the Company to participate in various segments of the industry, the near and long-term affects of the Communications Act of 1996 and the rules to be promulgated thereunder on the Company and its operations cannot be anticipated.

The Communications Act of 1996 governs all "common carriers," including AT&T, MCI and Sprint, as well as entities, such as the Company, which resell the transmission services provided through the facilities of other common carriers. In general, common carriers are required to charge reasonable rates and are prohibited from engaging in unreasonable practices in the provision of their services. Common carriers are also prohibited from engaging in unreasonable discrimination in their rates, charges and practices.

Each common carrier is required to file tariffs with the FCC. A tariff is a list of services offered, the terms under which the services are offered, and the rates, or range of rates, charged for services. Upon filing a tariff, the service provider is required to provide the services at the rates and under the terms and conditions specified in the tariff. Failure to file a tariff could result in fines and penalties. The Company has filed all required tariffs with the FCC.

In addition to federal regulation, resellers of long distance services may be subject to regulation by the various state regulatory authorities. The scope of such regulation varies from state to state, with certain states requiring the filing and regulatory approval of various certifications and state tariffs. The Company is currently evaluating the regulations governing the provision of long distance service in numerous states and is in the process of obtaining operating authority in those states where a substantial portion of its services are provided or are expected to be provided. As the Company expands the geographic scope of its long distance operations, it intends to obtain operating authority as may be required to provide intrastate long distance service.

The Company believes that it is in substantial compliance with all material laws, rules and regulations governing its operations and has obtained or is in the process of obtaining all licenses, tariffs and approvals necessary for the conduct of its business. In the future, legislation enacted by Congress, court decisions relating to the telecommunications industry, or regulatory actions taken by the FCC or the states in which the Company operates could adversely impact the Company's business. Changes in existing laws and regulations, particularly currently proposed relaxation of existing regulations resulting in significantly increased price competition, may have a significant impact on the Company's activities and on the Company's operating results. Adoption of new statutes and regulations and the Company's expansion into new geographic markets could require the Company to alter methods of operations, at costs which could be substantial, or otherwise limit the types of services offered by the Company. There can be no assurance that the Company will be able to comply with additional applicable laws, regulations and licensing requirements.

Competition

The Company faces intense competition in the marketing and sale of its products and services. The Company's prepaid phone cards and long distance services compete for consumer recognition with other prepaid phone cards, credit calling cards and long distance telephone services which have achieved significant international, national and regional consumer loyalty. Many of these products and services are marketed by companies which are well-established, have reputations for success in the development and sale of products and services and have significantly greater financial, marketing, distribution, personnel and other resources than the Company, thereby permitting such companies to implement extensive advertising and promotional campaigns, both generally and in response to efforts by additional competitors to enter into new markets and introduce new products and services. Certain of these competitors dominate the telecommunications industry and have the financial resources to enable them to withstand substantial price competition, which is expected to increase significantly. In addition, because the prepaid phone card segment of the industry has no substantial barriers to entry, competition from competitors in the Company's target markets is expected to continue to increase significantly. Many of the large telephone companies, as well as retailers and companies engaged in the marketing of collectibles, have already entered or have announced their intention to enter into the prepaid phone card segment of the industry.

The Company believes that it competes on the basis of value and service offered by it and its products. The Company believes that the rechargeability of many of its phone cards and its significant library of licenses provide it with advantages over many of its competitors. There can be no assurance, however, that the Company will be able to compete successfully in its markets. The Company's success will depend on the Company's ability to provide economical, reliable telecommunications services, to anticipate and respond to rapid changes in consumer preferences, and to introduce new products that appeal to the marketplace.

Employees

As of the date of this report, the Company has 72 full-time employees and 70 part-time employees. The Company considers its relations with its employees to be satisfactory. None of the employees are represented by labor unions.

ITEM 2. PROPERTY

In July 1995, the Company entered into sublease for 9,400 square feet of space located at 40 Elmont Road, Elmont, New York, which houses the Company's present principal executive offices, switching facility and digital recording studio. The term of the sublease is for five years and provides for an annual rental of $145,700.

In August 1995, the Company entered into a lease for approximately 1,930 square feet for its sales offices located at 60 East 42nd Street, New York, New York. The term of the lease is for 62 months and provides for an annual rental of $45,248.

In January 1995, Global Link entered into a lease for approximately 7,500 square feet of space located at 5697 Rising Sun Avenue, Philadelphia, Pennsylvania, which houses Global Link's offices, computer systems and its packaging facilities. The lease is for a term of five years and provides for an annual rental of $50,400 during 1996, $52,900 during 1997, $ 55,566 during 1998, and $58,344 during 1999. Global Link is renting this space from Jiljac Realty, the partners of which are Gary J. Wasserson, the Company's Chief Executive Officer, and his wife Ellen G. Wasserson.

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any material litigation.

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

Not applicable.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

The Company's Common Stock and Warrants are quoted on the Nasdaq Small Cap Market ("Nasdaq") under the symbols GTST and GTSTW, respectively, and listed on the Boston Stock Exchange under the symbols GTL and GTLW, respectively. The following table sets forth the ranges of high and low sale prices for the Common Stock and Warrants for the periods indicated, as reported by Nasdaq, which is the principal trading market for the Company's securities. The quotes represent inter-dealer prices without adjustment or mark-ups, mark-downs or commissions and may not necessarily represent actual transactions.

	Common Stock		Warrants	
	High	Low	High	Low
Year Ended December 31, 1994:				
Fourth Quarter (from December 14, 1994)	$ 5-3/4	$ 3-3/32	$ 2	$ 1-3/16
Year Ended December 31, 1995:				
First Quarter	$ 6-1/2	$ 3-7/8	$ 2-7/8	$ 1
Second Quarter	$ 6-1/8	$ 4-1/2	$ 3 1/16	$ 1-5/8
Third Quarter	$ 7	$ 5-3/4	$ 3-1/8	$ 1-7/8
Fourth Quarter	$ 6-7/8	$ 4-3/8	$ 2-7/8	$ 1-1/8
Year Ending December 31, 1996:				
First Quarter	$ 7-1/8	$ 5-1/8	$ 3-1/8	$ 1-7/8
Second Quarter (through April 9, 1996)	$ 5-7/8	$ 5	$ 1-15/16	$ 1-11/16

On April 9, 1996, the last sale prices for the Common Stock and Warrants were $5-3/4 and $1-15/16, respectively, as reported by Nasdaq.

As of April 9, 1996, there were 4,912,801 shares of Common Stock and 2,941,678 Warrants outstanding, held of record by 111 and 13 holders, respectively. The Company believes that there are in excess of 500 beneficial holders of each of its publicly-traded securities.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The Company generates revenues from sales of prepaid phone cards. To date, the Company's expenses have exceeded revenues, resulting in losses of $2,970,121 and $1,946,526 for the years ended December 31, 1995 and December 31, 1994, respectively. These losses are primarily attributable to start-up costs, costs incurred in connection with the development and promotion of the Company's products, the development of in-house creative capabilities and the hiring of additional personnel to support the Company's operations.

The Company's primary cost of sales are incurred in connection with the design and manufacture of its prepaid phone cards, royalties in connection with the various license agreements, switch administration fees and long distance carriers fees (which long distance billing costs are not incurred until such time as long distance service is accessed).

The Company records deferred revenue at the time it sells its prepaid phone cards and recognizes revenue at the time the consumer accesses long distance service. In connection with sales of cards featuring licensed graphics, the Company generally charges a premium per-minute charge for long distance services. The premium, if any, is recognized at the time of sale, while the remaining revenue is deferred and recognized when long distance service is accessed. The Company recognizes as revenue deferred revenue relating to unused calling time remaining upon each card's expiration (generally 12 to 18 months after issuance) at such date. The Company believes that collectors of prepaid phone cards bearing licensed graphics may not use a substantial portion of calling time available on such cards.

Year Ended December 31, 1995 Compared to Year Ended December 31, 1994

The following discussion relates solely to the operations and financial results of GTS and excludes the operations and results of Global Link, which was acquired by the Company in February 1996.

Net sales for the year ended December 31, 1995 were $3,144,350 compared to $1,377,900 for the year ended December 31, 1994, an increase of $1,766,450 or 128.2%. This increase is primarily attributable to increased product offerings and marketing activities, additional distribution arrangements and the recognition of previously deferred revenue upon the expiration of certain prepaid phone cards. Gross profit margins decreased to 8.0% of net sales for the year ended December 31, 1995, compared to 33.5% of net sales for the prior year. The net decrease in gross margin is a result of a decrease in revenues derived from the sale of cards featuring licenses graphics, which typically generate higher gross profit margins than cards with standard graphics, an increase in credit card chargebacks, a significant increase in international calls, which produced negative margins as a result of the increase of certain international rates charged to the Company after the issuance by the Company of prepaid cards, and the write off of printing and production costs related to unsold, expired prepaid phone cards, partially offset by the recognition of revenue upon the expiration of certain cards which produced higher margins.

Selling and marketing expenses were $1,406,160 for the year ended December 31, 1995, compared to $1,096,071 for the year ended December 31, 1994, an increase of $310,089, or 28.3%. This increase is primarily a result of hiring additional marketing and sales personnel and incurring increased costs in the promotion of the Company's products, including advertising, attendance at trade shows, and the write off of uncollectible accounts receivable.

General and administrative expenses increased to $2,008,057 for the year ended December 31, 1995, compared to $1,196,764 for the year ended December 31, 1994, an increase of $811,293, or 67.8%. This increase is primarily due to salaries for additional personnel hired to support the Company's growth, along with an increase in general office expenses attributable to the increased personnel. Furthermore, the Company incurred additional expenses with respect to the utilization of outside consultants and an increase in costs resulting from the relocation of the Company's headquarters to a larger facility.

Investment and interest income amounted to $192,482 for the year ended December 31, 1995 as compared to $6,531 for the prior year. The increase of $185,951 resulted from earnings on higher balances of cash and cash equivalents on hand, as well as interest on certain convertible notes receivable outstanding in 1995.

Interest expense for the year ended December 31, 1995 decreased to $0 from $121,401 for the year ended December 31, 1994, as a result of the conversion in September 1994 of notes payable to certain holders of equity securities.

For the foregoing reasons, the Company incurred a net loss of $2,970,121 for the year ended December 31, 1995, compared to a net loss of $1,946,526 for the year ended December 31, 1994

Liquidity and Capital Resources

At December 31, 1995, the Company had cash of $928,516 and working capital of $1,126,321, compared to $5,135,260 and $4,374,693, respectively, at December 31, 1994. Net cash used in operating activities for the fiscal year ended December 31, 1995 of $3,321,233 was primarily to fund the loss from operations. Cash used in investing activities for 1995 consisted of $323,511 of capital expenditures, convertible notes receivable of $325,000 from Fone America, Inc. and notes receivable of $237,000 from Global Link. See Note 5 to the Company's consolidated financial statements. At December 31, 1995, the Company's current assets (including accounts receivable, deferred costs and inventory) was $6,951,531 compared to $8,044,827 at December 31, 1994. Increases in accounts receivable, deferred costs and inventory resulting from the Company's increased sales volume in 1995 were more than offset by corresponding increases in accounts payable and deferred revenues. Accounts receivable are generated pursuant to sales of prepaid phone cards primarily to distributors, dealers and corporations, which are obligated to make payments for the cards 30 days from the date of delivery. Deferred revenue represents sales of prepaid phone cards for which revenue has not yet been recognized, but will typically be recognized in future periods as customers access long distance services or at the expiration dates of the prepaid phone cards.

The Company does not have any material commitments for capital expenditures, except certain obligations incurred in connection with its acquisition of Global Link. Specifically, in connection with such acquisition, the Company has guaranteed the payment of an aggregate of $2,800,000 of debentures ("Debentures") previously issued by Global Link and outstanding at the time of the acquisition, the payment of $954,630 of accounts receivable (the "Peoples Accounts Receivable") owed by Global Link to Peoples at the time of the acquisition (and payable in four equal quarterly installments beginning in January 1997), and a $500,000 cash payment by Global Link to Peoples due and payable on or prior to June 28, 1996. See "Certain Relationships and Related Transactions - The Global Link Acquisition."

As of December 31, 1995, the amounts of unpaid guaranteed minimum royalties under the Company's license arrangements amounted to $176,500.

The Company has substantial capital requirements resulting from the funding of losses from operations, the need to finance continued growth and certain payment obligations incurred in connection with the acquisition of Global Link. The Company anticipates that cash flows will improve during 1996 as a result of the increase in revenues and improvement in margins anticipated to result from the integration of the operations of Global Link with those of the Company, and that cash flows from operations will become sufficient to meet the Company's capital requirements as they occur, although there can be no assurance that this will be the case. To bolster its current cash position, the Company has undertaken a private placement of Common Stock and Warrants. The private placement is being conducted on a $2,000,000 minimum, $3,000,000 maximum basis. At the consummation of the private placement, should it occur, none of the Common Stock or Warrants sold therein will have been registered under the Securities Act of 1933, as amended (the "Act"), and may not be sold in the United States absent registration under the Act or an applicable exemption therefrom. There can be no assurance that the private placement will be consummated. If the Company is unable to generate cash flow from operations sufficient to meet its working capital requirements and the private placement is not consummated, the Company would be required to obtain financing from other sources, or if adequate financing cannot be obtained, to curtail its expansion and possibly its operations.

New Accounting Pronouncements

In March 1995, the Financial Accounting Standards Board issued Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" ("SFAS 121"), effective for fiscal years beginning after December 15, 1995. The Company will adopt SFAS 121 in the first quarter of 1996.

Based on current facts and circumstances, the Company believes that SFAS 121 will not adversely affect the Company.

In December 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), effective for years beginning after December 15, 1995. Under SFAS 123, the Company may elect either a "fair value" based method or the current "intrinsic value" based method of accounting for its stock-based compensation arrangements. If the Company were to elect the "intrinsic value" based method, the Company would be required to disclose in the footnotes to the financial statements net income and earnings per share computed under the "fair value" base method. The Company will elect the "intrinsic value" based method. Accordingly, the adoption of SFAS 123 will not impact the Company's results of operations or financial condition.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements listed in item 13(a)(1) and (2) are included in this Report beginning on page F-1.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The current directors and executive officers of the Company and Global Link are as follows:

Name	Age	Position
Shelly Finkel	51	Chairman of the Board
Gary J. Wasserson	40	Chief Executive Officer and Director
John P. McCabe	43	President and Director
Paul Silverstein	34	Vice President and Director
Joseph F. Clark	46	Executive Vice President
David S. Tobin	31	General Counsel and Secretary
Maria Bruzzese	32	Chief Financial Officer
Cory Eisner	40	Vice President
Michael Kresky	42	Vice President - Finance
Alan W. Kaufman	57	Director
Jack N. Tobin	54	Director
Donald L. Ptalis	53	Director

Shelly Finkel has been the Chairman of the Board since April 1993 and was the Chief Executive Officer of the Company from April 1993 through March 1995. Mr. Finkel has been active in the promotional field since June 1965 and has been the President of Shelly Finkel Management, Inc., a New York-based personal management firm, since 1980. In December 1993, Mr. Finkel promoted the Howard Stern New Year's Eve telecast, which had the largest entertainment pay-per-view audience in history. Since late 1980, Mr. Finkel has been involved in boxing management and has managed several world champions including Evander Holyfield and Pernell Whitaker. In 1973, Mr. Finkel, together with a stockholder of the Company, promoted the Watkins Glen concert which attracted approximately 600,000 people.

Gary J. Wasserson has been the Chief Executive Officer and a director of the Company since March 1996 and has been the President, Chief Executive Officer and Chairman of the Board of Directors of Global Link since its inception in March 1994. From June 1992 to February 1993, Mr. Wasserson was the interim President, consultant and a director of Robin Enterprises Inc., a company organized to rehabilitate, develop, manage and lease residential and commercial properties located in Moscow, Russia. From 1984 to December 1993, Mr. Wasserson was the principal stockholder, Chairman and Chief Executive Officer of Sterling Supply Corporation ("Sterling"), a cleaning supply and equipment distribution company serving the laundry and textile industries. In 1992, Sterling filed a voluntary petition in bankruptcy under Chapter 11 of the Federal Bankruptcy Code.

(5) Mr. McCabe served as the Chief Executive Officer of the Company from October 1995 through February 1996 (at which time Mr. Wasserson became Chief Executive Officer of the Company) and as President of the Company from March 1995 to October 1995 (and resumed in such office beginning in February 1996 upon consummation of the Global Link Acquisition). See "Certain Transactions - Global Link Acquisition."

(6) Represents currently exercisable options to purchase 33,334 shares of Common Stock and options to purchase 66,666 shares of Common Stock which become exercisable commencing March 1997. The per-share purchase price pursuant to all such options is $5.00. See "Employment Agreements."

(7) Mr. Silverstein served as President of the Company from its inception through March 1995, at which time he became Chief Executive Officer of the Company, in which capacity he served through October 1995. The compensation received by Silverstein during 1994 set forth above represents $227,292 received by him from the Company through December 13, 1994 and $5,208 received from December 14, 1994 through December 31, 1994 under his employment agreement, which became effective simultaneously with the effectiveness of the IPO. See "Employment Agreements."

AGGREGATE YEAR-END OPTION VALUES

Name	Number of unexercised options at fiscal year-end (#)		Value of unexercised in-the-money options at fiscal year-end ($)(1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Shelly Finkel Chairman of the Board	40,000	0	68,350	0
John McCabe President	—	100,000	—	112,500
Paul Silverstein Vice President	40,000	0	68,350	0

(1) Represents the difference between the aggregate market value at December 31, 1995 of the Common Stock underlying the options (based on a last sale price of $6.125 on that date) and the options' aggregate exercise price.

OPTIONS/SHARES GRANTS IN LAST FISCAL YEAR

	Individual Grants				
Name	Options/Shares Granted (#)	% of Total Options/Shares Granted to Employees in Fiscal Year	Exercise Price ($/Share)	Market Price on Date of Grant ($)	Expiration Date
Shelly Finkel Chairman of the Board	10,000(1)	5.1%	5.875	5.875	2005
John McCabe President	100,000(2)	51.0%	5.00	5.00	2003
Paul Silverstein Vice President	10,000(1)	5.1%	5.00	5.875	2005

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(1) Represents immediately exercisable options to purchase 10,000 shares of Common Stock granted pursuant to the terms of the Company's 1994 Performance Equity Plan which provides for stock option grants for 10,000 shares to be made to each director of the Company on March 31st of each year. See "1994 Performance Equity Plan."

(2) Represents options granted pursuant to the terms of Mr. McCabe's employment agreement. See "Employment Agreements."

Employment Agreements

The Company has entered into an employment agreement with each of Shelly Finkel, its Chairman of the Board, Gary Wasserson, its Chief Executive Officer, Paul Silverstein, a Vice President and director and former President of the Company, John McCabe, its President, David Tobin, its General Counsel and Secretary, and Maria Bruzzese, its Chief Financial Officer. Each of Messrs. Finkel's and Silverstein's and Ms. Bruzzese's employment agreement provides for an initial three-year term, commencing on December 14, 1994. Each of Messrs. Wasserson's and Tobin's employment agreement provides for an initial three-year term, commencing on March 1, 1996. Mr. McCabe's employment agreement provides for an initial three-year term commencing March 1, 1995. Mr. Finkel's employment agreement requires him to devote at least 50% of his business time to the management and operations of the Company and provides for a base annual salary of $50,000 during the first year and $75,000 during the second and third years. Messrs. Silverstein's, McCabe's, Wasserson's and Tobin's and Ms. Bruzzese's employment agreements require each such person to devote substantially all of his or her business time to the operations of the Company and provide for base annual salaries of $125,000, $150,000, $150,000, $140,000 and $85,000, respectively, during the term of the agreements. Each of Mr. Wasserson's and Tobin's employment agreements provide that if such person's employment is terminated without cause, such person shall receive salary due through the later of February 28, 1999 and one year from the date of termination. All of these officers also may be granted annual bonuses at the discretion of the Board of Directors. Each of the agreements contains a provision prohibiting the employee from competing with the Company during the term of employment and for a period of two years thereafter.

Consultants

In February 1995, the Company entered into consulting agreements with each of Barry Rubenstein, a principal stockholder of the Company, and Eli Oxenhorn. Each of Messrs. Rubenstein and Oxenhorn has held senior executive positions with numerous publicly-held companies and has knowledge and expertise in

John P. McCabe has been the President of the Company since the Merger in February 1996 and a director of the Company since October 1995. From October 1995 through February 1996, Mr. McCabe was the Chief Executive Officer of the Company and from March 1995 to October 1995, he was the President of the Company. From June 1987 to March 1995, Mr. McCabe was employed by National Westminster Bank in various capacities, including Senior Vice President of its credit card division (January 1994 through March 1995), Senior Vice President of its business strategies division (July 1991 through December 1993), and Senior Vice President of its processing and custody services division (June 1987 through June 1991). From 1985 to 1987, Mr. McCabe was Vice President of Chemical Bank's information products division.

Paul Silverstein has been a director of the Company since its inception in December 1992 and a Vice President of the Company since March 1996. Mr. Silverstein was the President of the Company from its inception through March 1995 and from October 1995 through February 1996. From March 1995 through October 1995, Mr. Silverstein was the Chief Executive Officer of the Company. From 1987 to May 1992, Mr. Silverstein was a software consultant for Interactive Business Solutions Inc., specializing in financial software applications for advertising agencies. From 1983 to 1987, Mr. Silverstein was a national account representative for Wang Laboratories, Inc. a computer manufacturing corporation.

Joseph F. Clark has been Executive Vice President of the Company since August 1995, was the Vice President of the Company from its inception in December 1992 through July 1995 and Secretary and was a director of the Company from its inception through February 1996. From January 1989 to September 1992, Mr. Clark was President and owner of Clark-Wertheimer & Associates, a marketing and management firm. Mr. Clark's background includes experience in modems, multiplexers, and audiotext- and videotext-related products and services.

David S. Tobin has been the General Counsel and Secretary of the Company since March 1996 and General Counsel of Global Link since February 1995. From April 1992 to February 1995, Mr. Tobin was the Assistant General Counsel of Peoples, where he was responsible for acquisitions, general corporate matters and federal securities law compliance. From 1990 to April 1992, Mr. Tobin was an associate of the law firm of Ruden, Barnett, McClosky, Smith, Schuster and Russell, P.A. David Tobin is the son of Jack Tobin, a director of the Company.

Maria Bruzzese has been the Chief Financial Officer and Treasurer of the Company since October 1994. From April 1994 to October 1994, Ms. Bruzzese was Chief Financial Officer of CompLink, Ltd., a developer of computer software products primarily for the electronic messaging sector of the office automation market. From 1986 to March 1994, Ms. Bruzzese was employed by KPMG Peat Marwick LLP, an international, full service accounting firm, where she specialized in the information and communications industry and most recently served as a senior manager. Ms. Bruzzese is a certified public accountant and a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

Cory Eisner has been a Vice President of the Company since October 1994. From 1977 to October 1994, Mr. Eisner was employed by Phone Programs, Inc., a telepromotions agency, most recently as Executive Vice President of Sales. From 1975 to 1977, Mr. Eisner was the director of the sports department for Long Island Weekly, a local area news show owned and broadcasted by Cablevision Systems Corporation.

Michael Kresky has been the Vice President - Finance of the Company since March 1996 and was the Chief Financial Officer of Global Link from August 1994 until February 1996. From 1983 to August 1994, Mr. Kresky was the Controller of RCM Technologies, Inc., a publicly traded personnel services company. Mr. Kresky is a certified public accountant and a member of the American Institute of Certified Public Accountants and the New Jersey Society of Certified Public Accountants.

Alan W. Kaufman has been a director of the Company since November 1994. Since April 1986, Mr. Kaufman has held various positions, including Vice President of Marketing and Vice President of Sales and

Marketing, and is currently the Executive Vice President of Sales of Cheyenne Software, Inc. Mr. Kaufman is currently Chairman of the New York Software Alliance, a statewide alliance of three regional software trade associations.

Jack N. Tobin has been a director of the Company since March 1996. Since March 1989, Mr. Tobin has been the President of Jack Tobin & Associates, Inc., a marketing, public relations and lobbying firm which he founded. Since November 1982, Mr. Tobin has been a member of the State of Florida House of Representatives. As a member of the House of Representatives, Mr. Tobin has served as the Chairman of the Health and Rehabilitative Services, Science Industry and Technologies and Business and Professional Regulation committees. Since November 1989, Mr. Tobin has chaired the full committee or subcommittee which regulates telecommunications companies operating within the state. From October 1981 to January 1989, Mr. Tobin was the Senior Vice President of Marketing and Public Relations for Commonwealth Savings & Loan Association. Jack Tobin is the father of David Tobin, the General Counsel and Secretary of the Company.

Donald L. Ptalis has been a director of the Company since March 1996. Since January 1995, Mr. Ptalis has been the President of Masque Sound & Recording Corp., a sound equipment rental company. From June 1993 to December 1995, Mr. Ptalis managed his personal investments. From 1987 to June 1993, Mr. Ptalis was the President and Chief Executive Officer of Desks Inc., an office furniture supply company. From 1984 to 1987, he was the Vice President and General Manager of Lubin Business Interiors, Inc., an office furniture supply company.

The Board of Directors of the Company is divided into three classes, each of which generally serves for a term of three years, generally with only one class of directors being elected in each year. The term of the first class of directors, presently consisting of Shelly Finkel and Gary Wasserson, will expire at the annual meeting of stockholders to be held in 1997; the term of the second class of directors, presently consisting of Paul Silverstein, Alan W. Kaufman and Don Ptalis, will expire at the annual meeting of stockholders to be held in 1998; and the term of the third class of directors, presently consisting of John McCabe and Jack Tobin will also expire at the annual meeting of stockholders to be held in 1996. In each case, each director will hold office until the next annual meeting of stockholders at which his class of directors is to be elected or until his successor is duly qualified and appointed. Executive officers serve at the discretion of the Board.

The Company has established a Compensation Committee and an Audit Committee of the Board of Directors. The Compensation Committee, consisting of Shelly Finkel, Alan Kaufman and Jack Tobin, was established to review the salaries and other compensation of the Company's executive officers. The Audit Committee, consisting of Gary Wasserson, Alan Kaufman and Don Ptalis, was established to review the scope of the Company's annual audit and other services provided by the Company's independent auditors.

Indemnification and Exculpation Provisions

The Company's Certificate of Incorporation provides for indemnification of officers and directors to the fullest extent permitted by Delaware law. In addition, under the Company's Certificate of Incorporation, no director shall be liable personally to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director; provided that the Certificate of Incorporation does not eliminate the liability of a director for (i) any breach of the director's duty of loyalty to the Company or its stockholders; (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) acts or omissions in respect of certain unlawful dividend payments or stock redemptions or repurchases; or (iv) any transaction from which such director derives improper personal benefit.

Compliance with Section 16 of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and officers and persons who beneficially own more than ten percent of the Company's Common Stock to file with the Securities and Exchange Commission ("SEC"), Nasdaq and the Boston Stock Exchange initial reports of ownership and reports of changes in ownership of Common Stock in the Company. Officers, directors and greater-than-ten percent shareholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) reports they filed. To the Company's knowledge, based solely on review of the copies of such reports furnished to the Company and written representation that no other reports were required, during the fiscal year ended December 31, 1995, such persons complied with all Section 16(a) filing requirements.

ITEM 10. EXECUTIVE COMPENSATION

The following table shows the compensation earned by Shelly Finkel, Chairman of the Board, John McCabe, President, and Paul Silverstein, Vice President, for 1995, 1994 and 1993.

SUMMARY COMPENSATION TABLE(1)

		Annual Compensation	Long Term Compensation	
Name and principal position	Fiscal Year	Salary ($)	Restricted Stock Awards($)	Options (#Shares)
Shelly Finkel(2) Chairman of the Board	1995 1994 1993	51,042 23,542 20,000	— — —	10,000(3) 30,000(4) —
John McCabe(5) President	1995 1994 1993	121,154 — —	— — —	100,000(6) — —
Paul Silverstein(7) Vice President	1995 1994 1993	125,000 232,500 70,000	— — —	10,000(3) 30,000(4) —

(1) No other person received aggregate compensation equal to or exceeding $100,000 during 1995, 1994 or 1993. None of Messrs. Finkel, McCabe or Silverstein received noncash compensation benefits having a value exceeding 10% of his cash compensation during 1995, 1994 or 1993.

(2) Mr. Finkel served as the Chief Executive Officer of the Company from April 1994 through March 1995 at which time, Paul Silverstein was appointed as Chief Executive Officer of the Company (in which position Mr. Silverstein served until October 1995), with Mr. Finkel remaining Chairman of the Board. The compensation received by Mr. Finkel during 1994 set forth above represents $21,459 received by him from the Company through December 13, 1994 and $2,083 received from December 14, 1994 through December 31, 1994 under his employment agreement which became effective simultaneously with the effectiveness of the Company's initial public offering ("IPO") on December 14, 1994. See "Employment Agreements."

(3) Represents currently exercisable options to purchase 10,000 shares of Common Stock for $5.875 per share granted pursuant to the terms of the Company's 1994 Performance Equity Plan which provide for stock option grants for 10,000 shares to be made to each director of the Company on March 31st of each year. See "1994 Performance Equity Plan."

(4) Represents currently exercisable options to purchase 30,000 shares of Common Stock for $3.33 per share through October 2004. See "Other Options and Warrants."

negotiating and consummating mergers and acquisitions and establishing commercial relationships, which abilities the Company believes will be valuable in the pursuit of its strategy of rapid growth. Pursuant to the terms of each consulting agreement, Messrs. Rubenstein and Oxenhorn shall render consulting services for a maximum of eight hours per month for a two-year period through February 1997, with a principal focus on potential mergers, acquisitions and other business combinations and business development activities. Each of Messrs. Rubenstein and Oxenhorn agreed to certain noncompetition provisions and agreed to refer to the Company any opportunity presented to him to acquire or enter into a business relationship with an entity engaged in activities similar to or synergistic with those of the Company, without the receipt of any finder's fee. The Company granted to each of Messrs. Rubenstein and Oxenhorn, in consideration for the specified consulting services, options to purchase 100,000 shares of Common Stock at $4.75 per share (the fair market value of the Common Stock on the date of grant), which options became exercisable in February 1996 and remain exercisable until February 2001.

1994 Performance Equity Plan

In October 1994, the Board of Directors of the Company adopted, and the stockholders approved, the 1994 Performance Equity Plan (the "1994 Plan"). The 1994 Plan now authorizes the granting of awards of up to 1,500,000 shares of Common Stock to the Company's key employees, officers, directors and consultants. Awards consist of stock options (both nonqualified options and options intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended), restricted stock awards, deferred stock awards, stock appreciation rights and other stock-based awards, as described in the 1994 Plan.

On March 31st of each calendar year during the term of the 1994 Plan, assuming there are enough shares then available for grant under the 1994 Plan, each person who is then a director of the Company is awarded stock options to purchase 10,000 shares of the Company's Common Stock at the fair market value thereof (as determined in accordance with the 1994 Plan), all of which options are immediately exercisable as of the date of grant and have a term of ten years. These are the only awards which may be granted to a director of the Company under the 1994 Plan. The 1994 Plan is administered by the Board of Directors which determines the persons (other than directors) to whom awards will be granted, the number of awards to be granted and the specific terms of each grant, including the vesting thereof, subject to the provisions of the 1994 Plan.

In connection with qualified stock options, the exercise price of each option may not be less than 100% of the fair market value of the Common Stock on the date of grant (or 110% of the fair market value in the case of a grantee holding more than 10% of the outstanding stock of the Company). The aggregate fair market value of shares for which qualified stock options are exercisable for the first time by such employee during any calendar year may not exceed $100,000. Nonqualified stock options granted under the 1994 Plan may be granted at a price determined by the Board of Directors, not to be less than the fair market value of the Common Stock on the date of grant. Generally, options granted to employees are exercisable as to 50% of the shares covered thereby on the first anniversary of the date of grant and 25% of the shares covered thereby on each of the second and third anniversaries of the date of such grant.

The 1994 Plan also contains certain change in control provisions which could cause options and other awards to become immediately exercisable and restrictions and deferral limitations applicable to other awards to lapse in the event any person, as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including a group as defined in Section 13(d), but excluding certain stockholders of the Company, acquires beneficial ownership of more than 25% of the Company's outstanding shares of Common Stock.

As of the date of this Prospectus, options to purchase a total of 514,000 shares of Common Stock are outstanding under the 1994 Plan. Options outstanding under the 1994 Plan include options to purchase 25,000 and 35,000 shares granted to Maria Bruzzese and Cory Eisner, respectively, at exercise prices ranging from $5.00 to $5.75 per share. In addition, pursuant to the terms of the 1994 Plan, the Company granted to each director of the Company, on March 31, 1995, immediately exercisable options to purchase 10,000 shares for

$5.875 per share, and on March 31, 1996, immediately exercisable options to purchase 10,000 shares for $5.25 per share. Pursuant to the 1994 Plan, additional options to purchase 10,000 shares of Common Stock will be granted to each director on March 31, 1997. In February 1995, in connection with their respective consulting agreements with the Company, Barry Rubenstein and Eli Oxenhorn, each stockholders of the Company, each were granted options under the 1994 Plan to purchase 100,000 shares of Common Stock at an exercise price of $4.75 per share. These options vested in February 1996 and remain exercisable until February 2001. The exercise price of all of the foregoing options is equal to the fair market value of the Common Stock on the date of grant. The Company anticipates granting options under the 1994 Plan to purchase a significant number of shares in the near future.

Other Options and Warrants

In October 1994, the Board of Directors granted ten-year options to Shelly Finkel, Paul Silverstein and James Koplik, a stockholder of the Company, to purchase 30,000, 30,000 and 15,000 shares, respectively. All of these options are currently exercisable at a price of $3.33 per share.

In December 1994, in connection with serving as underwriter of the Company's IPO, the Company issued and sold to the Placement Agent and its designees, for nominal consideration, five-year warrants to purchase up to 150,000 shares of Common Stock at a purchase price of $8.05 per share and/or up to 150,000 Public Warrants at a purchase price of $.161 per Public Warrant, which are exercisable at a price of $4.00 per share.

In March 1995, in connection with his employment with the Company, John McCabe, the Company's President, was granted options to purchase 100,000 shares of Common Stock at an exercise price of $5.00 per share (the fair market value of the Common Stock on the date of grant). These options vest in three equal annual installments commencing in March 1996 and will remain exercisable for a period of five years from the date of vesting.

In April 1995, in connection with consulting services rendered to the Company, Eleanor Feffer and Jon Silverman were granted options to purchase 5,000 and 2,500 shares of Common Stock, respectively. These options are currently exercisable at a price of $5.50 per share.

In April 1995, the Company issued five-year warrants to a designee of the Placement Agent to purchase 50,000 shares of Common Stock at an exercise price of $5.00 per share in consideration of the Placement Agent granting the Company the right of first refusal to pursue any prospective acquisition target in the phone card industry that the Placement Agent identifies prior to February 1998. In October 1995, the Company issued five-year warrants to another designee of the Placement Agent to purchase 50,000 shares of Common Stock at an exercise price of $5.00 per share. In January 1996, the Company issued five-year warrants to the Placement Agent to purchase 200,000 shares at an exercise price of $5.125 per share in consideration of consulting services provided and to be provided to the Company.

In January 1996, the Company entered into a consulting agreement with Payne Financial Group ("Payne"), pursuant to which the Company agreed to grant Payne options to purchase 100,000 shares of Common Stock at an exercise price of $5.50 per share. These options would become exercisable in January 1997 and remain exercisable until January 1999; provided, however, that if the Company terminates the agreement without cause, the options would become immediately exercisable and if the Company terminates the agreement with cause, the options would terminate immediately.

In February 1996, in connection with their employment with the Company, Messrs. Gary Wasserson and David Tobin, the Company's Chief Executive Officer and General Counsel, respectively, were granted options to purchase 125,000 and 50,000 shares, respectively, at an exercise price of $6.125 per share. These options vest in three equal annual installments commencing in February 1997 and will remain exercisable for a period of five years from the data of vesting.

In connection with the acquisition of Global Link, options and warrants to purchase 145,000 Global Link Shares were converted into options and warrants to purchase 109,926 shares of Common Stock.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL AND MANAGEMENT

The following table sets forth, as of April 9, 1996, the number of shares of the Company's outstanding Common Stock beneficially owned by (i) each director of the Company; (ii) each person who is known by the Company to beneficially own 5% or more of the outstanding Common Stock; and (iii) all of the Company's directors and executive officers as a group. The address for each of Mr. Finkel, Silverstein and McCabe is 40 Elmont Road, Elmont, New York 11003 and for Mr. Wasserson is 5697 Rising Sun Avenue, Philadelphia, Pennsylvania 19120. The addresses for other holders are as indicated below.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Outstanding Shares
Shelly Finkel	887,736(2)(3)	17.6%
Gary J. Wasserson	400,523(3)(4)	8.1%
Paul Silverstein	582,500(3)(5)	11.7%
John P. McCabe	43,334(3)(6)	*
Alan W. Kaufman Cheyenne Software, Inc. 3 Expressway Plaza Roslyn Heights, New York 11577	20,000(3)(7)	*
Jack N. Tobin 7759 Highlands Circle Margate Florida 33063	10,000(3)	*
Donald L. Ptalis 16 Ross Avenue Emerson, New Jersey 07630	27,294(3)(8)	*
Norton Herrick 7709 Wood Duck Drive Boca Raton, Florida 33434	343,000(9)	6.7%
Eli Oxenhorn 56 The Intervale Roslyn Estates, New York 11576	290,340(10)	5.7%
Barry Rubenstein 39 Woodland Road Roslyn, New York 11576	337,338(11)	6.7%
Peoples Telephone Company, Inc. 2300 N.W. 89th Place Miami, Florida 33172	636,868	13.0%
All executive officers and directors as a group (12 persons)	2,177,769(12)	41.2%

* Less than 1%.

(1) A person is deemed to be the beneficial owner of voting securities that can be acquired by such person within 60 days from the date of this report upon the exercise of options, warrants or convertible securities. Each beneficial owner's percentage ownership is determined by assuming that convertible securities, options or warrants that are held by such person (but not those held by any other person) and which are exercisable within 60 days of the date of this report have been exercised. Unless otherwise noted, the Company believes that all persons named in the table have sole voting and investment power with respect to all shares of Common Stock beneficially owned by them. The information in the above table gives effect to the issuance of 1,718,318 shares of Common Stock to the holders of Global Link Shares and 52,805 shares of Common Stock to Peoples.

(2) Includes 40,000 shares issuable upon exercise of currently exercisable options and an aggregate of 92,618 shares of Common Stock issuable upon exercise of publicly traded warrants ("Warrants"). See "1994 Performance Equity Plan," "Other Options and Warrants," and "Certain Relationships and Related Transactions."

(3) Includes 10,000 shares of Common Stock upon exercise of immediately exercisable options granted to each director of the Company on March 31, 1993 under the 1994 Plan. See "1994 Performance Equity Plan."

(4) Includes 390,523 shares of Common Stock, all of which are owned jointly by Mr. Wasserson and his spouse. See "Certain Relationships and Related Transactions — The Global Link Acquisition." Does not include 125,000 shares underlying options which become exercisable commencing in February 1997. See "Employment Agreements."

(5) Includes 40,000 shares issuable upon exercise of currently exercisable options. See "Other Options and Warrants."

(6) Represents 33,334 shares issuable upon exercise of currently exercisable options. Does not include 66,666 shares underlying options which become exercisable commencing March 1997. See "Employment Agreements."

(7) Includes 10,000 shares of Common Stock issuable upon exercise of currently exercisable options. See "1994 Performance Equity Plan."

(8) Includes 16,192 shares of Common Stock issuable upon conversion of $50,000 principal amount of Debentures and 379 shares of Common Stock issuable upon exercise of warrants issued in connection with such Debentures. See "Certain Relationships and Related Transactions — The Global Link Acquisition."

(9) Includes 243,000 shares of Common Stock issuable upon exercise of Warrants.

(10) Includes 1,000 shares of Common Stock and 1,000 shares issuable upon exercise of Public Warrants owned by Mr. Oxenhorn's son, of which he disclaims beneficial ownership, 54,170 shares of Common Stock issuable upon exercise of Public Warrants and 100,000 shares issuable upon exercise of currently exercisable options. See "Consulting Agreements."

(11) Includes 15,000 shares of Common Stock owned by The Marilyn and Barry Rubenstein Family Foundation, a tax exempt organization of which Mr. Rubenstein is a trustee, and 20,000 shares of Common Stock owned by Marilyn Rubenstein, Mr. Rubenstein's spouse. Mr. Rubenstein disclaims beneficial ownership over all of such shares. Also includes 45,000 shares of Common stock owned by Woodland Partners, a New York general partnership of which Mr. Rubenstein is a partner. 4,500 of such shares represent Marilyn Rubenstein's equity interest in such partnership and Mr. Rubenstein disclaims beneficial ownership over such shares. Also includes 9,000 shares of Common Stock

owned by the Woodland Venture Fund, a New York limited partnership, of which Mr. Rubenstein is a general partner. 5,637 of such shares represent Mr. Rubenstein's equity interest in such partnership and he disclaims beneficial ownership over the remaining 3,363 shares. Also includes 54,169 shares of Common Stock issuable upon exercise of Warrants and 100,000 shares issuable upon exercise of currently exercisable options. See "Consulting Agreements."

(12) Includes those shares of Common Stock deemed to be included in Messrs. Finkel, Wasserson, McCabe, Silverstein, Kaufman, Tobin and Ptalis' respective beneficial ownership as described in notes 2, 3, 4, 5, 6, 7 and 8 above. Also includes 12,500 shares of Common Stock issuable upon exercise of currently exercisable options held by each of Maria Bruzzese, Chief Financial Officer of the Company, and Cory Eisner, Vice President of the Company. Also includes 1,000 shares of Common Stock and 1,000 shares issuable upon exercise of Public Warrants beneficially owned by each of Ms. Bruzzese and Mr. Eisner. Also includes (i) 32,382 shares of Common Stock issuable upon exercise of currently exercisable options granted to David Tobin, General Counsel and Secretary of the Company, and (ii) 135,000 shares of Common Stock and 10,000 shares issuable upon exercise of currently exercisable options granted to Joseph Clark, Executive Vice President of the Company. Does not include those shares which, as described in notes 4 and 6 above, are not included in Messrs. Wasserson's and McCabe's ownership. Also does not include (i) 12,500 shares underlying options granted to each of Ms. Bruzzese and Mr. Eisner, 6,250 of which vest in each of October 1996 and 1997, (ii) 10,000 shares underlying options granted to Mr. Eisner, 5,000 of which vest in October 1996 and 2,500 of which vest in each of October 1997 and 1998 and (iii) 50,000 shares underlying options granted to David Tobin, 33-1/3% of which vest in each of February 1997, 1998 and 1999. See "Employment Agreements."

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

General

In April 1993, the Company issued to Messrs. Shelly Finkel, Chairman of the Board, Paul Silverstein, then the Chief Executive Officer of the Company, Joseph Clark, then Vice President of the Company, and James Koplik, a stockholder of the Company, 652,500, 532,500, 210,000 and 105,000 shares of Common Stock, respectively, in consideration of capital contributions and services rendered aggregating $100,000.

The Company's operations have been funded, in large part, by loans to the Company (the "Loans") made by Shelly Finkel and Shelly Finkel Management, Inc. ("SFM"), a company owned by Messrs. Finkel and Koplik. The Loans were made at various times between April 1993 and June 1994 and were payable on a demand basis, bearing interest at 8% per annum.

In July 1994, the Company consummated a private placement ("Bridge Financing"), pursuant to which it issued $1,000,000 principal amount of Bridge Notes and warrants to purchase 1,000,000 shares of Common Stock. From the proceeds of the Bridge Financing, the Company repaid $75,000 principal amount of the Loans owed to Mr. Finkel and SFM, together with $5,000 interest due and owing on such principal amount, reducing the principal amount of the Loans from $694,723 (the maximum amount which was outstanding at any time), then owing on such date, to $619,723, the repayment of which (together with interest) was extended to the later of July 1995 or one year from the date of the consummation of this offering. Mr. Finkel and SFM agreed to subordinate the repayment of the Loans to the repayment of the Bridge Notes.

In September 1994, Mr. Finkel and SFM converted all of the principal amount of the Loans and all interest due and owing thereon (the Loans and interest due and owing thereon collectively referred to herein as the "Debt Amount") into shares of Common Stock and Conversion Warrants at the rate of one share of Common Stock and one Conversion Warrant for each $3.00 of Debt Amount converted. Mr. Finkel and SFM converted

$136,359 and $513,675 of Debt Amount, respectively, into 45,453 shares of Common Stock and 45,453 Conversion Warrants and 171,225 shares of Common Stock and 171,225 Conversion Warrants, respectively.

In September 1994, SFM sold 54,169 shares of Common Stock and 54,169 Conversion Warrants for an aggregate purchase price of $162,507 ($3.00 per share and warrant) to Barry Rubenstein and 54,170 shares of Common Stock and 54,170 Conversion Warrants for an aggregate purchase price of $162,510 ($3.00 per share and warrant) to Eli Oxenhorn. Messrs. Rubenstein and Oxenhorn also participated in the Bridge Financing purchasing $200,000 and $225,000 of Notes and 200,000 Bridge Warrants and 225,000 Bridge Warrants, respectively. Mr. Rubenstein's spouse also participated in the Bridge Financing, purchasing $50,000 of Notes and 50,000 Warrants. The remaining 62,886 shares of Common stock and 62,886 Conversion Warrants owned by SFM were sold in September 1994 to Messrs. Finkel and Koplik, the two stockholders of SFM. In October 1994, Mr. Joseph Clark, a director of the Company, contributed 75,000 shares of Common Stock to the Company.

In February 1995, the Company entered into consulting agreements with each of Barry Rubenstein, and Eli Oxenhorn. As the entire consideration for consulting services to be provided thereunder, the Company granted to each of Messrs. Rubenstein and Oxenhorn options to purchase 100,000 shares of Common Stock for $4.75 per share.

The principal offices of Global Link are leased from JilJac Realty Company, a general partnership owned by Gary Wasserson and his spouse. The terms of the lease are described under the caption "Properties," above.

The Company believes that each of the foregoing transactions were on terms no less favorable to the Company as those which could have been obtained from unaffiliated third parties. All future transactions and loans between the Company and its officers, directors and principal stockholders or their affiliates will be on terms no less favorable than could be obtained from unaffiliated third parties and will be approved by a majority of the then disinterested directors of the Company.

The Global Link Acquisition

On January 18, 1996, the Company, Link Acquisition Corp., a wholly-owned subsidiary of the Company ("Merger Sub"), and Global Link executed an Agreement And Plan Of Merger (the "Merger Agreement"), pursuant to which Merger Sub was merged (the "Merger") with and into Global Link and Global Link became a wholly-owned subsidiary of the Company. The Merger was consummated on February 29, 1996 (the "Merger Date").

In connection with the Merger, the Company agreed to issue to the holders of Global Link's common stock (the "Global Link Shares"), upon surrender of such shares, an aggregate of 1,718,318 shares of the Company's Common Stock, based upon an exchange ratio of .64763 shares of Common Stock for each outstanding Global Link Share. Outstanding options and warrants to purchase an aggregate of 145,000 Global Link Shares, as a result of the Merger automatically converted into the right to purchase an aggregate of 109,926 shares of Common Stock at the rate of .75811 shares of Common Stock for each Global Link Share (with an exercise price of 1.32 times the exercise price per Global Link share).

In addition, in connection with the Merger, the holders of $2,800,000 aggregate principal amount of Global Link's Debentures executed an Amended and Restated Securities Purchase Agreement (the "Securities Purchase Agreement"), pursuant to which such holders consented to the Merger and waived certain rights. The Debentures are due and payable on June 23, 1999 and are secured by a first lien on all assets of Global Link. The Debentures bear interest at 6% per annum, payable on May 30th and November 30th of each year; provided, however, that the 6% per annum interest due on May 30, 1996 and November 30, 1996 was prepaid by Global Link with Global Link shares prior to the Merger. The Debentures are immediately due and payable, at the option of the holders, upon a change in control of Global Link, which is defined as a merger, consolidation or sale of substantially all of the assets of Global Link, as a result of the existing Global Link directors no longer comprising a majority of the members of the board of directors of the surviving entity. The Company has guaranteed the payment of principal and interest owed under the Debentures. The principal amount of the Debentures is convertible at the option of the holders at any time into shares of Common Stock (the "Conversion Shares") at a conversion price of approximately $3.088 per share. The Company may require the conversion of the Debentures if (i) the Company has received aggregate gross proceeds of not less than $5,000,000 from certain private placements or public offerings of its securities; (ii) the Conversion Shares are the subject of an effective registration statement under the Securities and Exchange Act of 1933, as amended (the "Act") or are eligible for sale under an exemption therefrom; (iii) the Common Stock is traded on a national securities exchange or quoted on Nasdaq; (iv) the price of the Common Stock is at least $3.50; and (v) the lock-up agreements of the holders of the Debentures (as described in the penultimate paragraph of this section) are terminated. Global Link may prepay the Debentures if the Conversion Shares are registered under the Act or an exemption therefrom is available, the Common Stock is listed on a national securities exchange or quoted on Nasdaq and the lock-up agreements of the holders of the Debentures are terminated.

Simultaneously with the execution of the Merger Agreement, Global Link executed an agreement (the "Peoples Agreement") with Peoples Telephone Company, Inc. ("Peoples"), pursuant to which, on the Merger Date, Peoples accepted (i) $1,050,000 ($550,000 of which was paid on the Merger Date with the balance of $500,000 plus accrued interest at the rate of 8% per annum payable on June 28, 1996 (the "Second Peoples Payment")) and (ii) 52,805 shares of Common Stock (the "Peoples Shares") in full satisfaction of any and all monies owed by Global Link to Peoples other than $954,630 of the Peoples Accounts Receivable owed by Global Link to Peoples, the payment of which Peoples agreed could be made in four equal quarterly installments commencing in January 1997. The payment to Peoples of the Second Peoples Payment and the Peoples Accounts Receivable were guaranteed by the Company.

On the Merger Date, the Company entered into an employment agreement ("Employment Agreement") with each of Gary J. Wasserson and David S. Tobin, the Chief Executive Officer and General Counsel, respectively, of Global Link who were appointed the Chief Executive Officer and General Counsel, respectively, of the Company. Each Employment Agreement is for a three-year term through February 1999. Mr. Wasserson and Mr. Tobin receive annual base salaries of $150,000 and $140,000, respectively, subject to annual increases and bonuses at the discretion of the Board of Directors. Additionally, Messrs. Wasserson and Tobin were granted options to purchase 125,000 and 50,000 shares of Common Stock, respectively, at an exercise price of $6.125 per share. Such options vest in three equal annual installments commencing in February 1997 and remain exercisable for a period of five years from the date of vesting.

Simultaneously with the execution of the Merger Agreement, the Company on the one hand, Shelly Finkel, James Koplik, Paul Silverstein and Joseph Clark (collectively, the "GTS Major Stockholders"), who hold an aggregate of 1,533,339 shares of Common Stock, and on the other hand Gary J. Wasserson, Jody Frank, Bernard Frank, Edward Marx, Joel D. Hornstein and members of their respective immediate families (collectively, the "Global Link Major Stockholders"), who hold an aggregate of 1,090,075 shares of Common Stock, entered into a voting agreement (the "Directors Voting Agreement"), pursuant to which the Company agreed to nominate and use its best efforts to have elected to its Board of Directors and the Board of Directors of Global Link three designees ("Global Link Designees") selected by the Global Link Major Stockholders and four designees ("GTS Designees") selected by the GTS Major Stockholders. Each of the GTS Major Stockholders agreed to vote all of his shares of Common Stock for the election of each of the three Global Link Designees and each of the Global Link Major Stockholders agreed to vote all of his shares of Common Stock for the GTS Designees. On the Merger Date, the Board of Directors of the Company and Global Link were each increased to seven directors, with Shelly Finkel, Paul Silverstein, Alan Kaufman, John McCabe, Gary Wasserson, Jack Tobin and Don Ptalis serving as directors of each board. The term of the Directors Voting Agreement expires on February 28, 1999.

Pursuant to the Merger Agreement, the Company agreed to register the shares of Common Stock issued in the Merger, as well as the Conversion Shares and the Peoples Shares, by means of a registration statement which the Company is required to use its best efforts to file by June 30, 1996 and have declared effective by September 30, 1996. Notwithstanding the foregoing, each stockholder to be included on such registration statement executed a lock-up agreement prohibiting his sale of such shares for a period of one year after the Merger Date and limiting sales to 25% of his holdings in each three-month period during the second year after the Merger Date. There are certain exceptions to these lock-up agreements which will allow the holders of the Debentures to sell that aggregate number of Conversion Shares equal to the aggregate amount of shares of Common Stock sold by the GTS Major Stockholders during the one-year period immediately following the Merger Date in excess of 160,000 shares of Common Stock.

Between November 1995 and February 1996, the Company had loaned an aggregate of $487,000 to Global Link, which had been guaranteed by certain holders of Global Link shares, which guaranty was secured by a pledge of such shares. As a result of the Merger, the debt owed by Global Link to the Company was consolidated and the guaranty and pledge were terminated.

ITEM 13. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) (1) Financial Statements

The following financial statements of the Company, the notes thereto, and the related report thereon of independent public accountants are filed under Item 7 of this Report.

(3) Exhibits

See (c) below.

(b) Reports on Form 8-K

Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 15, 1996.

(c) Exhibits

The following exhibits noted with an asterisk (*), are hereby incorporated by reference from the Company's Registration Statement on Form SB-2 (No. 33-85998) declared effective by the Securities and Exchange Commission on December 14, 1994 and amended on August 8, 1995, by double asterisk (**), are hereby incorporated by reference from the Company's Annual Report on Form 10-KSB for the year ended December

31, 1994, and triple asterisk (***), are hereby incorporated by reference from the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 15, 1996.

Exhibit No.	Exhibit Description
1.1*	Underwriting Agreement between the Company and Whale Securities Co., L.P., the underwriter of the Company's initial public offering in December 1994.
3.1*	Certificate of Incorporation
3.2*	Amendment to Certificate of Incorporation
3.3*	By-Laws
3.4***	Certificate of Merger of Merger Sub into Global Link
4.1*	Form of Common Stock Certificate
4.2*	Form of Warrant Certificate
4.3*	Warrant Agreement
4.4*	Underwriter's Warrant
4.5*	Stock Option Agreement between the Company and Shelly Finkel
4.6*	Stock Option Agreement between the Company and Paul Silverstein
4.7*	Stock Option Agreement between the Company and James Koplik (originally exhibit no. 4.10 to the Company's Registration Statement on Form SB-2 (No. 33-85998))
4.8**	Stock Option Agreement between the Company and John McCabe
10.1*	Sublease for 342 Madison Avenue, New York, New York
10.2*	Sublease for additional space at 342 Madison Avenue, New York, New York
10.3*	Employment Agreement between the Company and Shelly Finkel
10.4*	Employment Agreement between the Company and Paul Silverstein
10.5*	Employment Agreement between the Company and Maria Bruzzese
10.6*	1994 Performance Equity Plan
10.7*	Service Agreement between the Company and MCI Telecommunications Corporation (originally exhibit no. 10.17 to the Company's Registration Statement on Form SB-2 (No. 33-85998))
10.8*	Service Agreement between the Company and Sprint Corporation (originally exhibit no. 10.18 to the Company's Registration Statement on Form SB-2 (No. 33-85998))

10.9*	Service Agreement between Independent Properties Sales Corporation ("IPSC") and Metromedia Communications Corporation ("Metromedia," which was later acquired by WorldCom) (originally exhibit no. 10.19 to the Company's Registration Statement on Form SB-2 (No. 33-85998))
10.10*	Consent between IPSC and Metromedia allowing the assignment to the Company of IPSC's right to receive services from Metromedia.
10.11**	Employment Agreement between the Company and John McCabe
10.12**	Consulting Agreement between the Company and Barry Rubenstein
10.13**	Consulting Agreement between the Company and Eli Oxenhorn
10.14***	Merger Agreement by and among the Company, Merger Sub and Global Link
10.15***	Directors Voting Agreement
10.16***	Peoples Agreement, together with the Company's Guaranty of Peoples Second Payment
10.17***	Ancillary Agreement between Global Link and Peoples regarding payment of the Peoples Accounts Receivable, together with Holding Corp's Guaranty of such payment
10.18***	Amended and Restated Securities Purchase Agreement
10.19***	The Company's Guaranty of Debentures
10.20***	Employment Agreement between the Company and Gary Wasserson
10.21***	Employment Agreement between the Company and David Tobin
10.22***	Stock Option Agreement between the Company and Gary Wasserson
10.23***	Stock Option Agreement between the Company and David Tobin
10.24*	Sublease for space at 40 Elmont Road, Elmont, New York (originally exhibit no. 10.14 to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form SB-2 (No. 33-85998))
23.1	Consent KPMG Peat Marwick

GLOBAL TELECOMMUNICATION SOLUTIONS, INC.
AND SUBSIDIARIES

Index to Consolidated Financial Statements

Independent Auditors' Report

The Board of Directors and Stockholders
Global Telecommunication Solutions, Inc.:

We have audited the accompanying consolidated balance sheets of Global Telecommunication Solutions, Inc. and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Global Telecommunication Solutions, Inc. and subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

KPMG Peat Marwick LLP

New York, New York
March 29, 1996

GLOBAL TELECOMMUNICATION SOLUTIONS, INC.
AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 1995 and 1994

Assets	1995	1994
Current assets:		
Cash	$ 928,516	5,135,260
Accounts receivable, less allowance for doubtful accounts of $165,000 and $60,000 in 1995 and 1994, respectively	3,508,250	1,899,917
Inventory	268,874	202,531
Deferred costs	1,235,972	595,430
Convertible notes receivable	325,000	–
Note receivable	237,000	–
Prepaid royalties and patent license fees	292,911	129,345
Prepaid expenses and other current assets	155,008	82,344
Total current assets	6,951,531	8,044,827
Fixed assets:		
Telephone switches	112,630	50,270
Office equipment and furniture	381,564	120,413
	494,194	170,683
Less accumulated depreciation	(65,813)	(24,954)
	428,381	145,729
Other assets	102,052	18,618
Total assets	$ 7,481,964	8,209,174
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	1,819,813	613,387
Accrued liabilities	491,488	459,644
Deferred revenue	3,513,909	2,597,103
Total current liabilities	5,825,210	3,670,134
Commitments and contingencies (note 8)		
Stockholders' equity:		
Preferred stock, $.01 par value, authorized 1,000,000 shares; none issued	–	–
Common stock, $.01 par value, authorized 15,000,000 shares; issued and outstanding 3,141,678 shares	31,417	31,417
Additional paid-in capital	7,308,784	7,023,784
Deferred Compensation	(197,165)	–
Accumulated deficit	(5,486,282)	(2,516,161)
Total stockholders' equity	1,656,754	4,539,040
Total liabilities and stockholders' equity	$ 7,481,964	8,209,174

See accompanying notes to consolidated financial statements.

AD/GLOBALTELE/35-1272/

GLOBAL TELECOMMUNICATION SOLUTIONS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 1995 and 1994

	1995	1994
Net sales	$ 3,144,350	1,377,900
Cost of sales	2,892,580	916,221
Gross profit	251,770	461,679
Selling and marketing expenses	1,406,160	1,096,071
General and administrative expenses	2,008,057	1,196,764
Operating expenses	3,414,217	2,292,835
Operating loss	(3,162,447)	(1,831,156)
Interest income	192,482	6,531
Interest expense	–	(121,401)
Other	344	–
Loss before income taxes	(2,969,621)	(1,946,026)
Income tax expense	500	500
Net loss	$ (2,970,121)	(1,946,526)
Net loss per share	$ (.95)	(.99)
Weighted average shares of common stock and common stock equivalents	3,141,678	1,964,356

See accompanying notes to consolidated financial statements.

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GLOBAL TELECOMMUNICATION SOLUTIONS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 1995 and 1994

	1995	1994
Cash flows from operating activities:		
Net loss	$ (2,970,121)	(1,946,526)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	40,859	19,119
Provision for uncollectible accounts receivable	144,000	21,000
Amortization of deferred compensation	87,835	–
Write-off of unamortized discount on promissory notes	–	29,167
Interest expense on loans payable to stockholders added to principal balance	–	25,312
Amortization of unearned discount	–	20,833
Changes in operating assets and liabilities:		
Increase in accounts receivable	(1,752,333)	(1,824,474)
Increase in inventory	(66,343)	(177,439)
Increase in deferred costs	(640,542)	(514,079)
Increase in prepaid royalties and patent license fees	(163,566)	(64,996)
Increase in prepaid expenses and other current assets	(72,664)	(68,537)
Increase in other assets	(83,434)	(6,697)
Decrease in advances to officers	–	65,972
Increase in accounts payable	1,206,426	555,346
Increase in accrued liabilities	31,844	346,895
Decrease in payroll taxes payable	–	(63,079)
Increase in deferred revenue	916,806	2,283,861
Net cash used in operating activities	(3,321,233)	(1,298,322)
Cash flows from investing activities:		
Purchases of fixed assets	(323,511)	(109,108)
Convertible notes receivable	(325,000)	–
Note receivable	(237,000)	–
Net cash used in investing activities	(885,511)	(109,108)
Cash flows from financing activities:		
Net proceeds from initial public offering	–	6,255,017
Proceeds from issuance of promissory notes and warrants	–	1,000,000
Proceeds from sale of warrant to underwriter	–	150
Repayment of promissory notes	–	(1,000,000)
Repayment of notes payable to stockholders	–	(75,000)
Proceeds from notes payable to stockholders	–	357,583
Net cash provided by financing activities	–	6,537,750

(Continued)

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GLOBAL TELECOMMUNICATION SOLUTIONS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows, Continued

		1995	1994
Net (decrease) increase in cash	$	(4,206,744)	5,130,320
Cash at beginning of year		5,135,260	4,940
Cash at end of year	$	928,516	5,135,260
Supplemental disclosures:			
Interest paid during the period	$	–	96,089
Income taxes paid during the period	$	500	729
Noncash financing activities - Conversion of notes payable to stockholders to common stock and warrants	$	–	650,034
Deferred compensation arising from grant of stock options and warrants	$	285,000	–

See accompanying notes to consolidated financial statements.

AD/GLOBALTELE/35-1272/

GLOBAL TELECOMMUNICATION SOLUTIONS, INC.
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 1995 and 1994

(1) **Business**

Global Telecommunication Solutions, Inc., ("the Company") was incorporated on December 23, 1992 and is engaged in the designing, developing and marketing of prepaid phone/debit cards featuring licensed, promotional and standard graphics. The Company also provides card users access to long distance service through its switching facilities and long distance network arrangements. The Company has entered into marketing arrangements with various companies that have established distribution channels pursuant to which these entities will promote and market certain of the Company's prepaid phone cards.

The majority of the Company's customers are distributors, dealers of phone cards, individuals desirous of licensed graphic prepaid phone cards as collectibles and corporations and other entities desirous of customized prepaid phone cards for promotional use. Accounts receivable arise in the normal course of the Company's business of selling prepaid phone cards primarily to such customers.

(2) **Summary of Significant Accounting Policies**

(a) Revenue and Cost Recognition

Substantially all the prepaid phone cards sold by the Company are non-refundable and have expiration dates ranging from twelve to eighteen months. The Company records deferred revenue related to the sale of calling time when cards are sold and recognizes revenue as the ultimate customer utilizes calling time. Revenue related to the premium received for cards featuring licensed graphics, if any, is recognized at the time the card is sold. Deferred revenue relating to unused calling time remaining at each card's expiration is recognized as revenue at the expiration date.

The Company's primary costs of its prepaid phone cards include the cost of design and manufacturing of the cards, royalties incurred under license agreements, long distance carrier fees for handling the traffic generated by use of the prepaid phone cards and switch administration fees. Costs are expensed as incurred, except the cost of design and manufacturing of the card and switch activation fees, which are deferred and expensed when the related revenue is recognized.

(b) Inventory

Inventory consists of phone cards and is stated at the lower of cost or market, with cost determined using the average cost method.

(Continued)

(2), Continued

(c) Prepaid Royalties

The Company has licensing agreements which allow the Company to use images owned by the licensors (logos, names, designs, etc.) on the Company's prepaid phone cards in exchange for royalty payments calculated as a percentage of the net sales of such cards. The agreements usually require a nonrefundable partial payment of the royalties in advance and provide for minimum guaranteed royalty payments. The prepaid royalties are expensed as the related cards are sold. If minimum royalties are less then anticipated revenues under any license, the excess royalty is expensed immediately. The agreements also generally provide for nonexclusive rights to the licensor's images, are for one to five-year terms and expire at varying dates through 2000. As of December 31, 1995, the amount of unpaid guaranteed minimum royalties under licensing arrangements amounted to $176,500. Of that amount, $67,000 is due during 1996, $84,500 in 1997 and $25,000 in 1998. Certain of the licensing agreements were assigned to the Company from a related affiliate.

(d) Fixed Assets

Fixed assets are stated at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets, five years for telephone switches and seven years for office equipment and furniture.

(e) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(f) Loss Per Share

Pursuant to Securities and Exchange Commission Staff Accounting Bulletin Topic 4:D, stock issued and stock options and warrants granted during the twelve-month period preceding the date of the Company's initial public offering ("IPO") have been included in the calculation of weighted average shares of common stock outstanding for the nine months ended September 30, 1994, which was the interim period included in the IPO prospectus, even though the impact of such incremental shares was antidilutive.

Common stock equivalents were not included in the calculation of weighted average common shares outstanding for the year ended December 31, 1995 and three months ended December 31, 1994 since their effect would be to decrease net loss per share.

(Continued)

(2), Continued

(f), continued

References to the number of shares and all per share data have been restated for all periods to reflect the 3,000 to one stock split in June 1994 (see note 9).

(g) 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 consolidated financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

(h) Fair Value of Financial Instruments

The carrying amounts of financial instruments approximate fair value because of the short maturity of those instruments.

(i) Foreign Currency Translation

Assets and liabilities of the Company's foreign subsidiaries have been translated at rates of exchange at the end of the period. Revenues, costs and expenses have been translated at average exchange rates in effect during each reporting period. Gains and losses resulting from foreign currency translations are included in income while translation adjustments resulting from translation of financial statements are reported separately as a component of stockholders' equity.

(3) **Initial Public Offering**

On December 14, 1994, pursuant to its initial public offering the Company sold 1,500,000 shares of common stock at $5.00 per share and 1,725,000 redeemable warrants at $.10 per warrant and received net proceeds of $6,255,017, after deducting expenses relating to the offering amounting to $1,417,483.

Each warrant entitles the holder to purchase one share of common stock at a price of $4.00, subject to adjustment in certain circumstances, at any time commencing June 14, 1995 through December 14, 1999. The warrants are redeemable by the Company at any time after becoming exercisable, upon notice of not less than 30 days, at a price of $.10 per warrant, provided that the closing bid quotation of the common stock on all 20 trading days ending on the third day prior to the day on which the Company gives notice has been at least 187.5% of the then effective exercise price of the warrants.

In addition, the Company sold to the underwriter for an aggregate of $150, warrants to purchase up to 150,000 shares of common stock at a purchase price of $8.05 per share and/or 150,000 warrants at a purchase price of $.161 per warrant. Such warrants being exercisable at $4 per warrant through December 14, 1999.

(Continued)

(4) Private Placement

In July 1994, the Company through a private placement offering sold 20 units, each consisting of $50,000 principal amount of 10% unsecured promissory notes and warrants to purchase 50,000 shares of common stock. A portion of the proceeds from the offering was used to repay principal on notes payable to stockholder and related interest totaling $80,000. In December 1994, the principal and accrued interest on the notes aggregating $1,040,548 was paid from the proceeds of the Company's initial public offering. The terms of the warrants, including redemption terms, are identical to those issued pursuant to the Company's initial public offering (note 3). The Company had estimated the value of the warrants to be $50,000 at the time of issue and, accordingly, had reflected this amount as a component of equity and recorded an unamortized discount on the promissory notes, which was expensed in 1994 when the notes were repaid.

(5) Convertible Notes Receivable and Note Receivable

In March and May 1995, the Company advanced $200,000 and $125,000, respectively, to Fone America, Inc. evidenced by convertible promissory notes bearing interest at 10% per annum. The principal and accrued interest thereon was due and payable on June 23, 1995 and July 14, 1995, respectively. The Company has the option of converting any part of the principal into shares of Fone America's common stock on the basis of two shares for each $1.00 of principal.

In November 1995, the Company advanced $237,000 to Global Link Teleco Corporation (Global Link) evidenced by a promissory note and guaranteed by certain stockholders of Global Link. As a result of the consummation of the merger on February 29, 1996 (note 13), the guaranty was terminated.

(6) Notes Payable to Stockholders

Notes payable to stockholders were due on demand and bore interest at 8% per annum. Interest expense related to these notes for the year ended December 31, 1994 was $25,312. On September 9, 1994 all of the then outstanding notes payable to stockholders and the accrued interest, related to the notes as of that date, were converted into shares of common stock and warrants at the rate of one share of common stock and one conversion warrant for each $3.00 of debt. As a result of this transaction, $650,034 of notes payable to stockholders and related accrued interest were converted into 216,678 shares of common stock and 216,678 warrants that entitle the holder to purchase one share of common stock for $4.00. The terms of the warrants, including redemption terms, are identical to those issued pursuant to the Company's initial public offering (note 3).

(Continued)

(7) Income Taxes

Income tax expense consists of the following for the years ended December 31, 1995 and 1994:

	1995	1994
Current:		
Federal	$ –	–
State	500	500
	500	500
Deferred income tax	–	–
	$ 500	500

The actual income tax expense differs from the "expected" tax benefit for 1995 and 1994, computed by applying the U.S. Federal corporate tax rate of 34 percent to loss before income taxes, as follows:

	1995	1994
Computed "expected" tax benefit	$ (1,009,671)	(661,649)
Increase (reduction) in income taxes resulting from:		
State income taxes, net of Federal benefit	330	330
Increase in valuation allowance	990,689	652,504
Other	19,152	9,315
	$ 500	500

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1995 and 1994 is as follows:

	1995	1994
Deferred tax assets:		
Benefit of net operating loss carryforward	$ 1,756,952	159,864
Allowance for uncollectible accounts receivable	56,100	7,140
Deferred revenue, net of related deferred costs	21,278	680,569
Deferred compensation	28,164	–
Less: valuation allowance	(1,836,279)	(845,590)
Net deferred tax asset	26,214	1,983
Deferred tax liabilities:		
Depreciation on fixed assets	(16,113)	(1,983)
Other	(10,101)	–
Net deferred income taxes	$ –	–

(Continued)

(7) Continued

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax asset will be realized. The ultimate realization of the deferred tax asset is dependent upon the generation of future taxable income during the periods in which temporary differences or net operating loss carryforwards become deductible. Management considers scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies which can be implemented by the Company in making this assessment. Based upon the Company's historical operating losses and scheduled reversal of deferred tax liabilities, the Company has established a valuation allowance of approximately $1,836,000 at December 31, 1995. The Company's tax operating loss carryforwards of approximately $5,167,000 expire in the years 2008 through 2010.

The availability of the net operating loss carryforwards to offset income in future years may be restricted if the Company undergoes an ownership change, which may have occurred or which may occur as a result of sales of Company stock and other events.

(8) Commitments

(a) Leases

The Company leases certain office space and equipment under operating leases which expire through 2000. Minimum future rental payments under such leases as of December 31, 1995 are as follows:

Year ending December 31	Amount
1996	$ 214,700
1997	204,200
1998	189,400
1999	190,100
2000	190,100
	$ 988,500

(b) Employment Agreements

The Company has entered into employment agreements with six officers of the Company which provide for aggregate base salaries of $650,000 a year. The agreements which expire on varing dates, also provide for annual bonuses, as determined by the Board of Directors, and covenants not-to-compete during the employment term and for two years thereafter.

(Continued)

(8) Continued

(c) *Interconnect Arrangements*

The Company's arrangements with long distance service providers obligate the Company to generate certain minimum monthly or annual usage through each network and, if not attained, the Company is subject to underutilization charges. No such charges were incurred through December 31, 1995.

The Company is obligated to provide access to long distance telephone services through its switches for issued cards. The costs related to the potential utilization of the minutes sold have not been accrued in the accompanying financial statements, but are expensed as incurred.

(9) Common Stock

In July 1994, the Company declared a 3,000-for-one common stock split. In addition, the Company restated its Certificate of Incorporation to increase 1,000 shares of common stock without par value to 15,000,000 authorized shares with a par value of $.01 per share. These changes resulted in a decrease in common stock and a corresponding increase in additional paid-in capital of $85,000. All per share data and references to number of shares have been restated to reflect these changes.

In December 1994, an officer of the Company contributed 75,000 shares of common stock to the Company which was subsequently retired.

(10) Stock Options

The Company has reserved 1,500,000 shares of unissued common stock under its 1994 incentive and nonqualified stock option plan ("1994 Plan"). The 1994 Plan authorizes the granting of stock options, restricted stock awards, deferred stock awards and stock appreciation rights to key employees, officers, directors and consultants. All qualified stock options which will be granted by the Company, with the exception of those options granted to persons holding more than ten percent of the voting common stock in the Company on the date of grant, expire ten years after grant and are issued at exercise prices which are not less than the fair market value of the common stock on the date of grant. Qualified options granted to persons holding more than ten percent of the voting common stock of the Company on the date of grant expire five years after grant and are issued at exercise prices which are not less than 110 percent of the fair market value of the stock on the date of grant. Nonqualified stock options granted under the 1994 Plan may be granted at any price determined by the Board of Directors, however, the price may not be less than the fair market value of the common stock on the date of grant. Stock options vest over a period determined by the Board of Directors. The 1994 Plan contains certain change in control provisions, which include those that could cause options to become immediately exercisable.

(Continued)

GLOBAL TELECOMMUNICATION SOLUTIONS, INC.
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(10), Continued

A summary of activity under the 1994 Plan is as follows:

	Number of shares	Option price per share
Options granted in 1994	202,000	$5.00
Outstanding at December 31, 1994	202,000	$5.00
Granted	306,000	$4.75 – 6.00
Canceled	(64,000)	$5.00
Outstanding at December 31, 1995	444,000	$4.75 – 6.00

At December 31, 1995, 109,000 options were exercisable and options to purchase 1,056,000 shares were available for future grant.

In October 1994, the Board of Directors granted to certain officers and/or directors immediately exercisable ten-year options to purchase 75,000 shares of common stock at an exercise price of $3.33 per share.

In March 1995, the Company granted non-qualified options to purchase 100,000 shares of common stock at an exercise price of $5.00 per share to an officer of the Company. The options will vest 33 1/3% per annum commencing March 20, 1996 and will remain exercisable for a period of five years from the date of vesting.

In April 1995, the Board of Directors granted to certain consultants nonqualified stock options to purchase an aggregate of 7,500 shares of common stock at an exercise price of $5.50 per share. Such options are immediately exercisable and expire five years from date of grant.

(11) Deferred Compensation

(a) *Consulting Agreement*

The Company entered into consulting agreements with two of the Company's stockholders, pursuant to which the stockholders will provide consulting services to the Company for a two-year period ending February 1997. As consideration for these services, the Company issued options to purchase 100,000 shares of common stock at $4.75 per share to each stockholder. These options became exercisable in February 1996 and remain exercisable for a period of five years from the date of vesting. The estimated fair market value of these options of $168,000 was recorded as deferred compensation and the Company has recorded compensation expense of $73,500 to date.

(Continued)

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(11), Continued

(b) Warrants

In April and October 1995, the Company issued five-year warrants to Whale Securities Co., L.P. (Whale) to purchase an aggregate of 100,000 shares of common stock at $5.00 per share in consideration for providing the Company the right of first refusal to pursue any prospective acquisition target in the phone card industry that Whale identifies through February 1998. The estimated fair market value of these warrants of $117,000 was recorded as deferred compensation and the Company has recorded an expense of $14,335 to date.

(12) Subsequent Events

(a) Acquisition

On February 29, 1996, the Company through a wholly owned subsidiary acquired all the issued and outstanding common stock of Global Link, which designs, develops and markets prepaid phone/debit cards, through retail telephone calling centers as well as through distribution arrangements pursuant to an Agreement and Plan of Merger dated January 18, 1996. The acquisition will be accounted for as a purchase. Accordingly, the acquired assets and liabilities will be recorded at their estimated fair values at the date of acquisition and the operating results of Global Link will be included in the accompanying consolidated statement of operations from the acquisition date.

In connection with the merger, the Company issued 1,718,318 shares of common stock in exchange for all of the issued and outstanding common stock of Global Link. In addition, the Company issued 52,805 shares of common stock to a creditor of Global Link. The total cost of the acquisition was approximately $11,500,000 including direct transaction costs of approximately $450,000. In addition, Global Link has $2,800,000 aggregate principal amount of 6% Debentures outstanding, which principal amounts are due and payable on June 23, 1999 for which the Company has guaranteed the payment.

The acquisition resulted in goodwill of $18,379,000, based on a preliminary allocation of purchase price, calculated as follows:

Fair market value of common stock issued	$ 11,040,000
Fair value of liabilities assumed	11,085,000
Fair value of assets acquired	(4,196,000)
Acquisition related costs	450,000
Goodwill	$ 18,379,000

(Continued)

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(12), Continued

(a), continued

The following unaudited combined pro forma information reflects the results of operations assuming the acquisition of Global Link had been made at the beginning of the respective years.

	Year ended December 31, 1995	1994
Net sales	$ 11,711,000	3,882,000
Net loss	(7,251,000)	(3,781,000)
Net loss per share	(1.48)	(1.02)

Pro forma adjustments include recording amortization expense on goodwill and the elimination of interest expense on debt of Global Link repaid in connection with the acquisition.

The pro forma results of operations are not necessarily indicative of the actual results of operations that would have occurred had the purchase been made at the beginning of the respective years, or of results which may occur in the future.

(b) Private Placement Memorandum

In March 1996, the Company circulated a private placement memorandum regarding a proposed sale of 600,000 shares of the Company's common stock and 1,200,000 warrants for a maximum amount of $3,000,000.

EXHIBITS FILED HEREWITH

23.1 Consent of KPMG Peat Marwick

Independent Auditors' Consent

The Board of Directors
Global Telecommunication Solutions, Inc.:

We consent to incorporation by reference in the registration statement (No. 33-85998) on Form SB-2 of Global Telecommunication Solutions, Inc., and subsidiaries of our report dated March 29, 1996, relating to the consolidated balance sheets of Global Telecommunication Solutions, Inc. and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the years then ended which report appears in the December 31, 1995 annual report on Form 10-KSB of Global Telecommunication Solutions, Inc. and subsidiaries.

KPMG Peat Marwick LLP
KPMG PEAT MARWICK LLP

New York, New York
April 15, 1996

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: April 12, 1996

GLOBAL TELECOMMUNICATION SOLUTIONS, INC.

By: /s/ Shelly Finkel
Shelly Finkel
Chairman of the Board

In accordance with Section 13 or 15(d) of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Shelly Finkel Shelly Finkel	Chairman of the Board	April 12, 1996
/s/ Gary Wasserson Gary Wasserson	Chief Executive Officer and director	April 12, 1996
/s/ Alan Kaufman Alan Kaufman	Director	April 12, 1996
/s/ Jack Tobin Jack Tobin	Director	April 12, 1996
/s/ John McCabe John McCabe	President and director	April 12, 1996
Paul Silverstein	Vice President and Director	
/s/ Donald Ptalis Donald Ptalis	Director	April 12, 1996
/s/ Maria Bruzzese Maria Bruzzese	Chief Financial Officer (and principal accounting officer)	April 12, 1996

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

(X) QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1996

( ) TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from __________ to __________

Commission file number 1-13478

GLOBAL TELECOMMUNICATION SOLUTIONS, INC.

(Exact name of small business issuer as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

13-3698386
(IRS Employer Identification No.)

40 Elmont Road, Elmont, New York 11003
(Address of principal executive offices)

(516) 326-1940
(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ___

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of August 9, 1996, there were 5,512,801 shares of common stock outstanding.

GLOBAL TELECOMMUNICATION SOLUTIONS, INC. AND SUBSIDIARIES

GLOBAL TELECOMMUNICATION SOLUTIONS INC AND SUBSIDIARIES

Consolidated Balance Sheets

Assets	June 30, 1996 (unaudited)	December 31, 1995
Current assets:		
Cash and cash equivalents	$ 1,484,055	$ 928,516
Accounts receivable, less allowance for doubtful accounts of $284,000 and $165,000 in 1996 and 1995	3,168,669	3,508,250
Inventory	231,105	268,874
Deferred costs	1,189,398	1,235,972
Convertible notes receivable	325,000	325,000
Note receivable	--	237,000
Prepaid royalties and patent license fees	278,479	292,911
Prepaid expenses and other current assets	245,546	155,008
Total current assets	6,922,252	6,951,531
Goodwill, net	18,544,397	--
Fixed assets, net	1,990,530	428,381
Deferred financing fees, net	65,399	--
Other assets	250,839	102,052
Total assets	$27,773,417	$7,481,964
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	3,372,214	1,819,813
Accrued liabilities	1,011,027	491,488
Deferred revenue	5,441,248	3,513,909
Sales and excise tax liability	1,090,058	--
Amounts payable to related party	977,315	--
Capital lease obligation, current	50,935	--
Total current liabilities	11,942,797	5,825,210
Amounts payable to related party, long-term	477,315	--
Capital lease obligation, long-term	65,511	--
Convertible notes payable	2,800,000	--
Total liabilities	15,285,623	5,825,210
Stockholders' equity:		
Preferred stock, $.01 par value, authorized 1,000,000 shares; none issued	--	--
Common stock, $.01 par value, authorized 15,000,000 shares; issued and outstanding 5,512,801 and 3,141,678 shares, respectively	55,128	31,417
Additional paid-in capital	21,380,919	7,308,784
Deferred compensation	(366,498)	(197,165)
Accumulated deficit	(8,473,139)	(5,486,282)
Common stock subscription receivable	(100,000)	--
Cumulative foreign currency translation adjustment	(8,616)	--
Total stockholders' equity	12,487,794	1,656,754
Total liabilities and stockholders equity	$27,773,417	$ 7,481,964

See accompanying notes to consolidated financial statements.

GLOBAL TELECOMMUNICATION SOLUTIONS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
(Unaudited)

	Six months ended June 30, 1996		Three months ended June 30,	
	1996	1995	1996	1995
Net sales	$ 4,598,356	$ 1,265,346	$ 3,268,646	$ 780,697
Cost of sales	3,387,048	1,256,684	2,373,492	692,923
Gross profit	1,209,308	8,662	895,154	87,774
Selling and marketing expenses	1,292,376	515,363	757,645	253,180
General and administrative expenses	2,863,035	950,246	1,892,086	547,108
Operating expenses	4,155,411	1,465,609	2,649,731	800,288
Operating loss	(2,946,103)	(1,456,947)	(1,754,577)	(712,514)
Investment income	41,154	113,044	21,573	55,665
Interest expense	(87,508)	--	(70,282)	--
Other	5,600	(3,770)	4,200	(3,770)
Loss before income taxes	(2,986,857)	(1,347,673)	(1,799,086)	(660,619)
Income tax expense	--	--	--	--
Net loss	$(2,986,857)	$(1,347,673)	$(1,799,086)	$(660,619)
Net loss per share	$(.66)	$ (.43)	$(.34)	$ (.21)
Weighted average shares of common stock and common stock equivalents	4,506,228	3,141,678	5,247,966	3,141,678

See accompanying notes to consolidated financial statements.

GL[illegible] TELECOMMUNICATION SOLUTIONS, INC[illegible]D SUBSIDIARIES

Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 1996	Six Months Ended June 30, 1995
Cash flows from operating activities:		
Net loss	$(2,986,857)	$(1,347,673)
Adjustments to reconcile net loss to net cash provided by or used in operating activities:		
Depreciation and amortization	556,876	15,868
Deferred compensation	230,667	33,833
Amortization of deferred financing costs	6,795	--
Changes in operating assets and liabilities, net of effects of acquisition:		
(Increase) decrease in accounts receivable	1,296,015	(684,012)
(Increase) decrease in inventory	134,769	(77,335)
(Increase) decrease in deferred costs	46,574	(316,935)
(Increase) decrease in prepaid royalties and patent license fees	14,432	(61,225)
(Increase) decrease in prepaid expenses and other current assets	64,757	(73,475)
Increase in other assets	(18,183)	(5,823)
Increase (decrease) in accounts payable	(715,393)	124,770
Increase (decrease) in accrued liabilities	(14,192)	227,481
Increase in sales and excise taxes payable	363,427	--
Increase (decrease) in deferred revenue	(70,807)	852,829
Net cash used in operating activities	(1,091,120)	(1,311,897)
Cash flows from investing activities:		
Purchases of fixed assets	(222,214)	(188,673)
Convertible notes receivable	--	(325,000)
Cash acquired in excess of cash payment for acquisition	54,190	--
Net cash used in investing activities	(168,024)	(513,673)
Cash flows from financing activities:		
Net proceeds from issuance of common stock and warrants	2,656,358	--
Payment of notes payable to related party	(550,000)	--
Increase in notes receivable from Global Link prior to merger	(250,655)	--
Payments on capital lease obligations	(32,404)	--
Net cash provided by financing activities	1,823,299	--
Effects of exchange rate changes on cash	(8,616)	--
Net increase (decrease) in cash	555,539	(1,825,370)
Cash and cash equivalents at beginning of period	928,516	5,135,260
Cash and cash equivalents at end of period	$ 1,484,055	$ 3,309,890
Supplemental disclosures:		
Interest paid during the period	$ --	$ --
Income taxes paid during the period	$ --	$ --
Non-cash investing and financing activities:		
Issuance of common stock in connection with acquisition	$11,039,488	$ --
Deferred compensation arising from grant of warrants	$ 400,000	$ --
Capital lease obligations incurred to acquire fixed assets	$ 148,850	$ --

See accompanying notes to consolidated financial statements.

GLOBAL TELECOMMUNICATION SOLUTIONS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 1996

(1) Business and Basis Presentation

Business

Global Telecommunication Solutions, Inc. (the "Company") was incorporated on December 23, 1992 and is engaged in the designing, developing and marketing of prepaid phone/debit cards featuring licensed, promotional and standard graphics. The Company also provides card users access to long distance service through its switching facilities and long distance network arrangements.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six and three months ended June 30, 1996 are not necessarily indicative of the results that may be expected for the year ending December 31, 1996.

(2) Loss Per Share

Weighted average shares of common stock for the six and three months ended June 30, 1996 and 1995 does not include common stock equivalents as their effect would be anti-dilutive.

(3) Acquisition

On February 29, 1996, pursuant to an Agreement and Plan of Merger dated January 18, 1996, the Company, through a wholly-owned subsidiary, acquired all the issued and outstanding common stock of Global Link Teleco Corp. ("Global Link"), which designs, develops and markets prepaid phone/debit cards through retail telephone calling centers as well as through distribution arrangements. The acquisition was accounted for as a purchase. Accordingly, the acquired assets and liabilities were recorded at their estimated fair values at the date of acquisition and the operating results of Global Link were included in the accompanying consolidated statement of operations from the acquisition date.

In connection with the merger, the Company issued 1,718,318 shares of common stock in exchange for all of the issued and outstanding common stock of Global Link. In addition, the Company issued 52,805 shares of common stock to a creditor of Global Link. The total cost of the acquisition was approximately $11,500,000 including direct transaction costs of approximately $450,000. In addition, Global Link has $2,800,000 aggregate principal amount of 6% Debentures outstanding, which principal amounts are due and payable on June 23, 1999 for which the Company has guaranteed the payment.

The acquisition resulted in goodwill of $18,965,860, based on an allocation of purchase price, calculated as follows:

Fair market value of common stock issued	$11,039,488
Fair value of liabilities assumed	10,718,587
Fair value of assets acquired	(3,242,215)
Acquisition related costs	450,000
Goodwill	$18,965,860

The following unaudited combined pro forma information reflects the results of operations assuming the acquisition of Global Link had been made at the beginning of the respective periods.

	Six Months Ended June 30, 1996	Six Months Ended June 30, 1995
Net sales	$5,823,000	$5,286,000
Net loss	(3,943,000)	(2,710,000)
Net loss per share	$ (.78)	$ (.55)

Pro forma adjustments include recording amortization expense on goodwill (using the straight-line method over 15 years), the elimination of amortization of the predecessor's goodwill and the elimination of interest expense on debt of Global Link repaid in connection with the acquisition.

The pro forma results of operations are not necessarily indicative of the actual results of operations that would have occurred had the purchase been made at the beginning of the respective periods, or of results which may occur in the future.

(4) Private Placement

In May 1996, the Company sold through a private placement 600,000 shares of the Company's common stock and 1,200,000 warrants for $3,000,000. Each warrant entitles the holder to purchase one share of common stock. In connection with this private placement, the Company issued a warrant to Whale Securities Co., L.P., the placement agent ("Whale"), to purchase, through May 10, 2001, up to 60,000 shares of common stock and 120,000 warrants for $5.00 per each share of common stock and two warrants.

(5) Warrants

In January 1996, the Company issued five-year warrants to Whale and/or its designees to purchase an aggregate of 200,000 shares of common stock at $5.125 per share in consideration for consulting services. The estimated fair market value of these warrants of $400,000 was recorded as deferred compensation and the Company has recorded an expense of $166,665 to date.

(6) Simultaneously with the execution of the merger agreement, Global Link executed an agreement with Peoples Telephone Company, Inc. (Peoples) pursuant to which Peoples agreed to accept $1,050,000 ($550,000 of which was paid on the date of the merger with the balance of $500,000 payable on June 28, 1996) to settle certain obligations and indebtedness to Peoples. As of the date of this report, the payment of the $500,000 to Peoples by the Company is outstanding. The Company is in the process of negotiating with Peoples to modify the terms of the original agreement between the parties, including a modification of the payment schedule with respect to the $500,000 payment. The Company believes that the agreement with Peoples will be modified on terms satisfactory to the Company, although there can be no assurance that this will be the case.

(7) Tax Obligations and Compliance

At June 30, 1996, the Company is delinquent in remitting certain amounts previously collected for sales, use and excise taxes to various taxing jurisdictions. Further, the Company has not filed certain sales and use, excise, income or franchise tax returns in certain jurisdictions in which it does business. Management is in the process of reviewing the Company's tax collection, remittance and compliance policies and procedures and has recorded a reserve for estimated tax obligations and related compliance issues. Depending on the ultimate resolution of these matters, it is reasonably possible that the amount of this reserve could require adjustment in the near term.

(8) Liquidity

The Company has substantial capital requirements resulting from the funding of losses from operations, the need to finance continued growth and certain payment obligations incurred in connection with the acquisition of Global Link. The Company anticipates that cash flows will improve as a result of the increase in revenues and improvement in margins are anticipated to result from the integration of the operations of Global Link with those of the Company. The Company anticipates, based on its current plans and assumptions relating to its operations, that its cash balances, together with projected cash flows from operations will be sufficient to satisfy the Company's contemplated cash requirements for the next 12 months, although there can be no assurance that this will be the case. In the event that the Company's plans change, its assumptions change or prove to be inaccurate or cash flows otherwise prove to be insufficient to fund operations, the Company would be required to seek additional financing or curtail its proposed expansion and possibly its operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The Company generates revenues from the sales of prepaid phone cards. To date, the Company's expenses have exceeded revenues, resulting in losses of $2,986,857 and $1,347,673, respectively, for the six months ended June 30, 1996 and June 30, 1995.

The Company's primary cost of sales are incurred in connection with the design and manufacture of its prepaid phone cards, royalties in connection with the various license agreements, switch administration fees and long distance carriers fees (which long distance costs are generally not billed or incurred until such time as long distance service is accessed).

The Company records deferred revenue at the time it sells its prepaid phone cards and recognizes revenue at the time the consumer accesses long distance service. In connection with sales of cards featuring licensed graphics, the Company generally charges a premium per minute charge for long distance services. The premium, if any, is recognized at the time of sale, while the remaining revenue is deferred and recognized when long distance service is accessed. The Company recognizes as revenue deferred revenue relating to unused calling time remaining upon each cards expiration (generally 12 to 18 months after issuance) at such date. The Company believes that the collectors of prepaid phone cards bearing licensed graphics may not use a substantial portion of calling time available on such cards.

Six months ended June 30, 1996 Compared to Six months ended June 30, 1995

Net sales for the six months ended June 30, 1996 were $4,596,356 compared to $1,265,346 for the six months ended June 30, 1995, an increase of $3,331,010 or 263.2%. Approximately $3,210,000 or 253.7% of the increase is attributable to the acquisition of Global Link (see note 3). Revenues from the sale of cards featuring licensed graphics decreased by approximately $370,000 or 29.2% primarily as a result of a decrease in revenue recognized upon the expiration of certain cards and a decrease of licensed product offerings in 1996. Revenues from the sale of promotional cards decreased by approximately $77,000 or 6.1%. Sales of cards to other carriers increased by approximately $642,000 or 50.7% of which approximately $457,000 or 36.1% represented revenue recognized upon the expiration of certain cards. Furthermore, revenue derived from the Company's standard cards decreased by approximately $78,000 or 6.2%. The remaining increase in revenues of approximately $4,000 or .3% was due to an increase in the sale of non-card products and services. Gross margins increased to 26.3% of net sales for the six months ended June 30, 1996, compared to .7% of net sales for the comparable period in the prior year. The increase in the gross margin is partially a result of the acquisition of Global Link whose margins for the period approximated 34.7%. The remaining net increase in the gross margin is a result of a decrease in transmission costs as a percentage of sales resulting primarily from the recognition of revenue upon the expiration of certain cards which had no associated transmission costs offset by, an increase in sales of cards with lower margins and an increase in production costs as a percentage of sales primarily due to the write off of printing and production costs related to unsold expired prepaid phone cards.

Selling and marketing expenses were $1,292,376 for the six months ended June 30, 1996, compared to $515,363 for the six months ended June 30, 1995, an increase of $777,013 or 150.8%. Approximately $592,000 or 115.0 % of this increase is attributable to the Global Link acquisition. The remaining increase consists of approximately $200,000 or 38.8% of increased salaries due to the hiring of additional marketing and sales personnel, an increase of approximately $40,000 or 7.8% in travel expenses related to the additional personnel, and an increase of approximately $7,000 or 1.4% in other selling and marketing expenses, offset by a decrease of approximately $62,000 or 12.0% in costs in the advertisement and promotion of the Company's products, including attendance at trade shows.

General and administrative expenses increased to $2,863,035 for the six months ended June 30, 1996 compared to $950,246 for the six months ended June 30, 1995, an increase of $1,912,789 or 201.3%. Approximately $1,646,000 or 173.2% of the increase is attributable to the Global Link acquisition. The remaining increase is due to approximately $163,000 or 17.2%, of additional amortization of deferred compensation costs with respect to warrants issued to outside consultants, an increase of approximately $54,000 or 5.7% in costs resulting from the relocation of the Company's headquarters to a larger facility and the rent expense related to new sales offices and an net increase in other general and administrative costs aggregated approximately $50,000 or 5.3%.

Investment and interest income amounted to $41,154 for the six months ended June 30,1996 as compared to $113,044 for the six months ended June 30,1995. The decrease of $71,890 is a result of lower balances of cash and cash equivalents on hand offset by an increase as a result of convertible notes receivable acquired in March and May 1995.

Interest expense for six months ended June 30,1996 increased to $87,508 from $0 for the six months ended June 30,1995, as a result of interest on the $2,800,000 convertible notes payable and amounts due to Peoples Telephone Company, Inc. (Peoples) acquired from Global Link and interest expense on capital lease obligations recorded in 1996.

For the foregoing reasons, the Company incurred a net loss of $2,986,857 for the six months ended June 30,1996 compared to a net loss of $1,347,673 for the six months ended June 30,1995.

Liquidity and Capital Resources

At June 30, 1996 the Company had cash and cash equivalents of $ 1,484,055 and a working capital deficit of $5,020,545 compared to 928,516 and $1,126,321, respectively, at December 31, 1995. This decrease in working capital was primarily a result of the assumption by the Company of certain obligations and other debt of Global Link in connection with the merger.

Net cash used in operating activities for the six months ended June 30, 1996 of $1,091,120 was primarily due to the Company's net loss and decrease in accounts payable and accrued liabilities, including taxes, offset by non-cash items, including depreciation and amortization, and a decrease in accounts receivable. Accounts receivable are generated pursuant to sales of prepaid phone cards primarily to distributors, dealers and corporations. Deferred revenue represents sales of prepaid phone cards for which revenue has not yet been recognized, but will typically be recognized in future periods as customers access long distance services or at the expiration dates of the phone cards. Net cash used in investing activities for the six months ended June 30, 1996 consisted of $222,214 of capital expenditures, net of $54,190 in cash acquired in excess of cash payments for the Global Link acquisition. Net cash provided by financing activities consisted of $2,656,358 of net proceeds from the issuance of common stock and warrants pursuant to a private placement completed in May 1996, a payment to Peoples of $550,000 and an increase in notes receivable of $250,655 from Global Link prior to the merger. The Company does not have any material commitments for capital expenditures.

The Company has substantial capital requirements resulting from the funding of losses from operations, the need to finance continued growth and certain payment obligations incurred in connection with the acquisition of Global Link. The Company anticipates that cash flows will improve as a result of the increase in revenues and improvement in margins are anticipated to result from the integration of the operations of Global Link with those of the Company. The Company anticipates, based on its current plans and assumptions relating to its operations, that its cash balances, together with projected cash flows from operations will be sufficient to satisfy the Company's contemplated cash requirements for the next 12 months, although there can be no assurance that this will be the case. In the event that the Company's plans change, its assumptions change or prove to be inaccurate or cash flows otherwise prove to be insufficient to fund operations, the Company would be required to seek additional financing or curtail its proposed expansion and possibly its operations.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

Exhibits

27 Financial Data Schedule

B. Current Reports on Form 8-K

Current Report on Form 8-K for event dated March 1, 1996 and amendment thereto.

SIGNATURES

In accordance with requirements of the Exchange Act, the Registrant caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 15, 1996

GLOBAL TELECOMMUNICATION SOLUTIONS, INC.

By: /s/ Maria Bruzzese
Maria Bruzzese, Chief Financial Officer

Global Link Teleco Corporation

EXHIBIT "1"

Global Link Teleco Corporation

EXHIBIT "2"

EXHIBIT "2 "

Applicant's key personnel are highly qualified in telecommunications and related fields necessary for the specialized area of prepaid calling cards. Following is a description of their backgrounds and experience.

Shelly Finkel, Chairman of the Board. Mr. Finkel has been active in the promotional field since 1965, and has been President of Shelly Finkel Management, Inc., a personal management firm, since 1980. Since 1980, Mr. Finkel has been involved in boxing management and has managed several world champions including Evander Holyfield and Pernell Whitaker. In 1973, Mr. Finkel, together with a stockholder of the Company, promoted the Watkins Glen concert, which attracted approximately 600,000 people. Mr. Finkel has held his position with the Company since its inception in 1992.

Gary J. Wasserson, Chief Executive Officer. Mr. Wasserson has been the C.E.O. and a director of the Company since March 1996. Mr. Wasserson had been the Presiden, C.E.O. and Chairman of the Board of Global Link since its inception in 1994. From June 1992 to February 1993, Mr. Wasserson was the interim President o, consultant and a director of Robin Enterprises Inc., a company organized to rehabilitate, develop, manage and lease residential and commercial properties in Mascow, Russia. From 1984 to December 1993, Mr. Wasserson was a principal stockholder, Chairman and C.E.O. of Sterling Supply Corporation, a cleaning supply and equipment distribution company service the laundry and textile industries.

John P. McCabe, President. Since 1981, Mr. McCabe has been involved in the financial services industry, holding positions with Chemical Bank and National Westminster Bank. His experience includes the areas of consumer credit, operations, strategic planning and management. In his most recent position prior to joining GTS in 1995, Mr. McCabe was Senior Vice President of National Westminster's credit card division.

Maria Bruzzese, Chief Financial Officer and Treasurer. Ms. Bruzzese joined GTS in late 1994. Earlier in 1994, Ms. Bruzzese was Chief Financial Officer of CompLink, Ltd., a developer of computer software products primarily for the electronic messaging sector of the office automation market. From 1986 to 1994, Ms. Bruzzese was a senior manager at KPMG Peat Marwick LLP, and international, full service accounting firm, where she specialized in the information and communications industry. Ms. Bruzzese is a certified public accountant and a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

Cory Eisner, Vice President of Interactive Sales. Mr. Eisner joined the Company in late 1994. From 1977 to 1994, Mr. Eisner was employed by Phone Programs, Inc., a telepromotions agency, most recently as Executive Vice President of Sales. From 1975 to 1977, Mr. Eisner was the director of the sports department for "Long Island Weekly," a local area news show owned and broadcasted by Cablevision Systems.

<u>David S. Tobin</u>, General Counsel. Mr. Tobin has been with the Company since March 1996 and General Counsel of Global Link since February 1995. From April 1993 to February 1995, Mr. Tobin was trhe Assistant General Counsel of Peoples Telephone Company, Inc., where he was responsible for acquisitions, general corporate matteres and federal securities accounting law compliance. From 1990 to April 1992, Mr. Tobin was an associate of the law firm of Ruden, Barnett, McClosky, Smith, Schuster and Russell, P.A.

The Company currently employs approximately 100 individuals. These employees include accounting, administrative, cutomer service, executive, marketing, operational and technical support personnel. Company employees have a varying range of expertise in business, marketing and telecommunications technologies. Additionally, the Company's key personnel participate in a variety of industry forums and organizations in an effort to maintain excellence in the provision of telecommunications services.

Global Link Teleco Corporation

EXHIBIT "3"

INTRASTATE TELECOMMUNICATION SERVICE

REGULATIONS AND SCHEDULE OF CHARGES

APPLICABLE TO INTRASTATE SERVICES FURNISHED BY

GLOBAL LINK TELECO CORORATION

d/b/a GTS and/or Global Link

David S. Tobin, General Counsel
Global Link Teleco Corporation
5697 Rising Sun Avenue
Philadelphia, PA 19120

CHECK SHEET

This tariff contains the following sheets, each of which is effective on the date shown at the bottom of each sheet. The sheets named below are currently in effect as of the date on the bottom of this sheet.

Sheet	REVISIONS
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
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17	Original
18	Original
19	Original
20	Original

David S. Tobin, General Counsel
Global Link Teleco Corporation
5697 Rising Sun Avenue
Philadelphia, PA 19120

TABLE OF CONTENTS

EXPLANATION OF SYMBOLS

(D) - to signify deleted or discontinued rate or regulation
(I) - to signify increased rates
(M) - to signify matter relocated without change
(N) - to signify new rate or regulation
(R) - to signify reduction
(T) - to signify a change in text but no change
in rate or regulation

David S. Tobin, General Counsel
Global Link Teleco Corporation
5697 Rising Sun Avenue
Philadelphia, PA 19120

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 14 and 15 would be 14.1.

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 PSC. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the PSC follows in their tariff approval process, the most current sheet number on file with the PSC is not always the tariff page in effect. Consult the Check Sheet for the sheet currently in effect.

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

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

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

SECTION 1. TECHNICAL TERMS AND ABBREVIATIONS

Carrier or Company - Global Link Teleco Corporation, d/b/a GTS or Global Link.

Customer - The person, firm, agency, corporation or any other entity that orders service and is responsible for payment of charges and compliance with the regulations of this tariff.

Card Holder - Customer or another user, irrespective of whether such user is authorized or unauthorized by the Customer, who is in possession of a prepaid calling card and has the capability of completing a call by charging it to the Customer's account or the prepaid calling card.

Common Carrier - A communications carrier, authorized by the Federal Communications Commission, PSC or other appropriate regulatory agency to provide communications services to the public as a common carrier for hire, with which the company or Customer makes arrangements to acquire facilities or services used in connection with the services provided by the Company.

Facilities - Any item of communications plant or equipment used to provide or to connect to the Company's service.

PSC - The Public Service Commission.

SECTION 2. RULES AND REGULATIONS

2.1 Application of Tariff

This tariff contains the regulations and rates applicable to the furnishing of intrastate telecommunications services by Global Link Teleco Corporation (hereafter referred to as "GTS" or "the Company") between and among points in the State of Florida. Service provided within the State of Florida is subject to the rules and regulations of this tariff unless otherwise stated. Service is furnished subject to the availability of facilities and subject to transmission, atmospheric and like limitations.

2.2 Undertaking of the Company

2.2.1 Scope

A. Service is furnished for telecommunications originating and terminating within the State of Florida under the terms and conditions set forth in this tariff. The Company shall operate and maintain service provided hereunder in accordance with the terms and conditions set forth in this tariff.

B. The Company resells telecommunications services provided by other carriers. Notwithstanding the foregoing, Customer shall be considered a customer of the Company, and not a customer of any other carrier.

C. Service is available twenty-four hours per day, seven days per week.

D. The provision of communications services by the Company is not part of a joint undertaking with any other entity providing communications facilities or services.

E. The Company does not undertake to transmit messages, but offers the use of its services to Customers for the transmission of telecommunications.

SECTION 2. RULES AND REGULATIONS (Continued)

2.2 Undertaking of the Company (Continued)

2.2.2 Limitations

A. The use and restoration of telecommunications services provided by the Company during emergency conditions shall be in accordance with Part 64, Subpart D, Appendix A, of the Federal Communications Commission's Rules and Regulations, which specifies the priority system for such services.

B. The Company may limit the use of service, or interrupt or discontinue service when necessary because of conditions beyond its control, or when the Customer is using the service in violation of provisions of this tariff.

C. The Company may limit the use of service, or interrupt or discontinue service, without notice to the Customer, by blocking traffic from or to certain countries, cities or exchanges when deemed necessary to prevent fraudulent or unlawful use of its service.

D. Provision of service is subject to the availability of facilities and to the conditions imposed on the Company by other service providers regarding intrastate communications services; the Company will make reasonable efforts to secure and retain facilities to provide the services requested by Customers.

SECTION 2. <u>RULES AND REGULATIONS</u> (Continued)

2.2 <u>Undertaking of the Company</u> (Continued)

2.2.2 <u>Limitations</u> (Continued)

E. The Company's responsibility is limited to the facilities which it furnishes in connection with services provided under this tariff.

F. Service will only be provided where requisite authorizations can be obtained from appropriate governing bodies.

2.2.3 <u>Limitations on Liability</u>

A. The liability of the Company for damages arising out of mistakes, omissions, interruptions, delays, errors or defects in transmission occurring in the course of furnishing service, and not caused by the negligence of the Customer, shall in no event exceed an amount equivalent to the proportionate charge to the Customer for the period of service during which such mistake, omission, interruption, delay, error or defect in transmission occurs; no other liability shall in any case attach to the Company.

B. The Company shall not be liable for any indirect, special, incidental, or consequential damages under this tariff including, but not limited to, loss of revenue or profits, for any reason whatsoever, including any delay or interruption of service or any failure in or breakdown of facilities associated with the service; or for any mistakes, omissions, delays, errors or defects in transmission occurring in the course of furnishing service, except as specified in 2.2.3A. The Company's liability for a Customer's direct damages incurred as a direct consequence of a service interruption or the failure of the Company to perform shall in no event exceed an amount equal to that which the Customer would have otherwise paid for the period that the service was not provided during which the Company has failed to perform.

SECTION 2. RULES AND REGULATIONS (Continued)

2.2 Undertaking of the Company (Continued)

2.2.3 Limitations on Liability (Continued)

C. The Company shall not be liable for, shall be excused from performance during, and the Customer shall not be liable for charges related to the company's excused performance during any failure of performance due to causes beyond its control, including, but not limited to, Acts of God, fires, floods, earthquakes, hurricanes, or other catastrophes; national emergencies, insurrections, riots or wars; strikes, lockouts, work stoppages or other labor difficulties; unavailability or non-performance of facilities provided by others; and any law, order, regulation or other action of any governing authority or agency thereof.

D. The Company shall not be liable for any damages, including usage charges, that Customer may incur as a result of the unauthorized use of its authorization codes by others. The unauthorized use of Customer authorization codes includes, but is not limited to, the placement of calls utilizing Customer's authorization codes without the authorization of Customer. Customer shall be fully liable for all such usage charges.

E. The Company shall not be liable for:

1. Any claims for libel, slander, or infringement of patents, trade secrets, or copyrights arising from or in connection with the transmission of communications by means of Company-provided facilities or services;

SECTION 2. RULES AND REGULATIONS (Continued)

2.2 Undertaking of the Company (Continued)

2.2.3 Limitations on Liability (Continued)

E. (Continued)

2. Any claims for infringement of patents, trade secrets or copyrights arising from the combination of Company-provided facilities or services with Customer-provided facilities or services;

3. Any claim arising out of any act or omission of the Customer or any other entity furnishing services or facilities for use in conjunction with services or facilities provided by the Company;

4. Unlawful or unauthorized use of the Company's facilities and services;

5. Any claim arising out of a breach in the privacy or security of communications transmitted over the Company's facilities;

F. The Customer shall indemnify and save the Company harmless from all liability as disclaimed by the Company, as specified in Sections 2.2.3.E1 through 5, arising in connection with the provision of service by the Company to the Customer, and the Customer shall protect and defend the Company from any suits or claims alleging such liability, and shall pay all expenses and satisfy all judgments which may be incurred by or rendered against the Company in connection therewith. The Company shall notify the Customer of any such suit or claim against the Company.

David S. Tobin, General Counsel
Global Link Teleco Corporation
5697 Rising Sun Avenue
Philadelphia, PA 19120

SECTION 2. <u>RULES AND REGULATIONS</u> (Continued)

2.2 <u>Undertaking of the Company</u> (Continued)

2.2.3 <u>Limitations on Liability</u> (Continued)

G. The Company assumes no responsibility for the availability or performance of any facilities or services under the control of other entities, or for other facilities or services provided by other entities used for service to the Customer, except to the extent that such nonperformance or non-availability is the result of a willful act of the Company. The Company is not liable for any act or omission of any other company furnishing a portion of the facilities or services used to provide service to Customer; such facilities are provided subject to such degree of protection or non-preemptibility as may be provided by the other entities.

H. Any claim of whatever nature against the Company shall be deemed conclusively as having been waived unless presented in writing to the Company within ninety (90) days after the date service was affected.

SECTION 2. RULES AND REGULATIONS (Continued)

2.3 Use of Service

2.3.1 Intrastate telecommunications service may be used as follows:

A. To transmit communications of the Customer, or

B. To provide service to the public in a manner consistent with the terms of this tariff and the policies and regulations of the FCC.

2.3.2 Service is furnished subject to the condition that it will be used only for authorized and lawful purposes. The Company reserves the right to withhold service or discontinue service, without notice, if abuse or fraudulent or unlawful use of the service occurs.

2.3.3 The Customer may not rearrange, disconnect, remove, modify or attempt to repair or permit others to rearrange, disconnect, remove, modify or attempt to repair any Company facility without the prior written consent of the Company.

2.3.4 The service or any rights associated therewith may not be assigned or in any manner transferred without the prior written consent of the Company.

2.3.5 Orders, including those for the installation, connection, repair or termination of service, will be accepted only from the Customer.

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SECTION 2. <u>RULES AND REGULATIONS</u> (Continued)

2.4 <u>Obligations of the Customer</u>

2.4.1 The Customer shall be responsible for:

A. The payment of all charges for services provided under this tariff, regardless of the availability of Customer or other entity provided equipment, systems and/or facilities to be used in connection with the Company's services.

B. Compliance with all provisions of this tariff.

C. Providing for the Company's rights under this tariff in any agreements or arrangements with lessors or others made in connection with the services to be provided under this tariff.

D. Obtaining all permits, licenses, variances and other authorizations required by federal, state and local regulatory bodies and jurisdictions as may be required to take or use service under this tariff.

E. Cooperating with the Company in maintenance, trouble determination, and fault isolation regarding Company provision of service to the Customer.

F. Furnishing information in advance of any changes that affect the ability of the Company to prepare, install, and maintain service to the Customer on a continuous basis.

G. Damage to or loss of Company-provided equipment or facilities caused by the negligence or the willful act or omission of the Customer.

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SECTION 2. RULES AND REGULATIONS (Continued)

2.5 Payment and Charges

2.5.1 The Customer is responsible for the payment of all charges incurred by the Customer for services furnished to the Customer. Charges for calls using Company's prepaid calling card will be prepaid upon purchase by the Customer of Company's Prepaid Calling Card(s). Each Prepaid Calling Card, or its packaging, shall clearly indicate the price per card or the price per minute assigned to the card.

2.5.2 The Customer is responsible for the security of its purchased Prepaid Calling Cards and their authorization codes. All calls placed using Customer's authorization codes will be deducted from Customer's Prepaid Calling Card balance.

2.5.3 If notice from Customer of any dispute as to charges is not reported to the Company within thirty days after the date charges are incurred, the charges will be considered correct. The Company shall promptly investigate all disputed charges and report its findings and disposition to the Customer.

A. Company cards shall be printed with a toll-free number for the Company's Customer Service personnel. Customer service is available 24 hours a day, seven days a week.

B. The Company's mailing address shall be printed on each card.

2.5.4 The Company does not require or collect deposits from Customers. Other than the purchase price of a Prepaid Calling Card, which shall be applied to usage by the Customer, the Company does not require or collect advance payments.

2.5.5 The Customer is responsible for any fees or expenses, including attorneys fees, in collecting, or attempting to collect, any charges owed the Company.

2.5.6 The Company reserves the right to examine the credit record of all applicants and customers.

SECTION 2. RULES AND REGULATIONS (Continued)

2.6 Taxes

All excise, sales, use, gross receipts, or other similar taxes which may be levied by a governing body or bodies for service furnished under this tariff are included in the amount deducted from the Prepaid Calling Card for the call at the time of the call.

2.7 Discontinuance of Service by the Company for Cause or Non-Payment

2.7.1 Discontinuance For Cause

A. The Company may immediately and without notice terminate any service or application for service if the Company deems that such action is necessary to protect against fraud or to otherwise protect its personnel, agents, facilities or services.

B. The Company may also terminate service upon written notice to the Customer:

1. for any violation of any of the provisions governing the furnishing of this service under this tariff;

2. for any violation of any law, rule, regulation or policy of any government authority having jurisdiction over the service;

3. by reason of any order or decision of a court or other government authority having jurisdiction over the service which prohibits the Company from furnishing such service;

SECTION 2. RULES AND REGULATIONS (Continued)

2.7 Discontinuance of Service by the Company for Cause or Non-Payment (Continued)

2.7.1 Discontinuance For Cause (Continued)

B. (Continued)

4. upon notification to the Company from the Customer's bank that the Customer's payment check is being returned due to "Insufficient Funds;"

5. where there has been any intentional or de facto transfer or assignment of services supplied by the Company, or a transfer of control of the Customer, without the express written authorization or the Company, which shall be deemed a fraudulent use; and/or

7. if a Customer becomes the subject of a bankruptcy or an insolvency proceeding, or upon commencement of any other action against the Customer with respect to creditors in the nature of bankruptcy or insolvency.

2.7.2 Discontinuance For Non-Payment

The Company may terminate service for non-payment of any sum thirty (30) days past due.

2.7.3 Discontinuance Liability

Upon discontinuance of service by the Company, the Customer is responsible for payment of all sums due, including any charges that would apply under this tariff, termination liabilities or minimum service charges and any other costs which the Company may incur as a result of service discontinuance.

2.7.4 Restoration of Service

Service may be restored to a Customer only after all violations are corrected and all payments are current to the sole satisfaction of the Company.

SECTION 3. DESCRIPTION OF SERVICE

3.1 Timing of Calls

Usage charges are based on the actual usage of the Company's services. Customers shall be billed for conversation time. Call timing begins when the called party picks up the receiver, and ends when either party hangs up. Charges are calculated in full minute increments.

3.2 Availability

The Company provides originating service from any point in the State of Florida, subject to the availability of access services. Termination is available to any point in the State of Florida.

3.3 Call Completion Rate

The Company procures facilities in a manner designed to insure that no more than 10% of all calls are blocked during the busy hour of the average business day.

3.4 Special Promotions

The Company may, from time to time, offer special promotions to its Customers. Such promotions will have specified starting and ending dates, and each such promotion will not exceed 90 days in any 12 month period.

A. The Company may issue promotional cards. These cards will be issued with a limited number of minutes for use by Customers. Cards may indicate the price of the card or the per minute rate assigned to the card.

B. The Company may issue sample cards. These cards will be issued with a limited number of minutes. Sample cards will be issued free of charge to Customers.

SECTION 3. DESCRIPTION OF SERVICE

3.5 Types of Service

3.5.1 Prepaid Calling Card

This service permits an end user to purchase a calling card with a certain face value and use it to make intrastate and interstate calls by dialing an 800 number and entering an authorization code, which is provided on the card. The authorization code enables the Company to track and automatically debit the account balance on each card as the card is used.

A. Basic Company Prepaid Calling Cards may be recharged by the Customer. Customers may recharge card balances after the Company has received authorization from the Customer's credit card issuer or the Company has received an other preapproved form of payment.

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SECTION 4. <u>RATES</u>

4.1 <u>Prepaid Calling Card Rates</u>

4.1.1 <u>Per Minute Rates</u>

A. Basic Prepaid Calling Card - This service offering allows Customerrs to originate calls via an 800/888 access number. All calls are rated on a flat rate (not time-of-day or distance sensitive) basis, and rounded to the next higher minute. Customers may recharge Basic Prepaid Calling Card(s).

<u>Rate Per Minute</u>
.33

4.2 <u>Other Charges</u>

Special routing or diverse routing capabilities will be subject to additional charges as specified hereunder. In the event that the Company, in order to meet the requirements of a customer, is required to construct new facilities or to make special arrangements of its facilities, the applicable charges for special construction will be based on costs and appropriate charges. These charges may be based on such elements as cost of equipment and materials, cost of installation, engineering, labor, supervision, general and administrative expense, overhead, interest during construction, other disbursements, depreciation, maintenance, taxes, provision for return on investment, and any other costs associated with the provision of the special service to be provided.

4.3 <u>Maintenance Charges</u>

Cards shall remain in active status so long as used in any six (6) month period. If a card is not used for any six (6) month period, the card will transfer to an inactive account where a maintenance fee will be applied. Customers may call in at any time to reactivate the card so long as a balance remains on the Prepaid Calling Card.

Maintenance Charge - $5.00/month

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DEPOSIT	TREAS. REC.	DATE
D376		SEP 18 '96

APPLICATION OF

Global Link Teleco Coprporation

FOR AUTHORITY TO PROVIDE

INTEREXCHANGE TELECOMMUNICATION SERVICE

WITHIN THE

STATE OF FLORIDA

GLOBAL LINK
Teleco Corporation
5697 Rising Sun Avenue · Philadelphia, Pennsylvania 19120
215-342-7700

PNC BANK, N.A.
JEANNETTE, PA 001
60-162-433

CHECK NO. 8416

DATE Sep 17, 1996

AMOUNT ********$250.00

Two Hundred Fifty and 0/100 Dollars

PAY TO THE ORDER OF:

FLORIDA PUBLIC SERV. COMM.
DIVISION OF ADMINISTRATION
2540 SHUMARD OAK BLVD
TALLAHASSEE, FL 32399

09460-96
9/18/96

Michael Krasky
Richard Wetzel

[redacted]

DEPOSIT TREAS. REC. DATE

D376 SEP 18 '96

APPLICATION OF

Global Link Teleco Coprporation

FOR AUTHORITY TO PROVIDE

INTEREXCHANGE TFLECOMMUNICATION SERVICE

WITHIN THE

STATE OF FLORIDA

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

Initials of person who forwarded check:
A.G.