EXECUTONE®
Business Solutions

March 14, 1997

VIA OVERNIGHT DELIVERY

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Boulevard
Gunter Building
Tallahassee, Florida 32399-0850

RE: Docket No. 961472-TI / Application of Clarity Telecom LD Network Services, Inc. for a Certificate of Public Convenience and Necessity

Dear Sir or Madam:

Enclosed on behalf of Clarity Telecom LD Network Services, Inc. ("Clarity"), in response to the Commission's request, is additional financial information filed as part of Exhibit 6 of the above-referenced Application filed under seal of confidentiality. Also enclosed is a redacted (non-proprietary) copy of Clarity's financial statements.

If I can be of further assistance, please do not hesitate to contact me. I will appreciate your returning a copy of this letter to me, with a date-stamp, in the envelope provided to acknowledge your receipt of same. Thank you in advance.

Respectfully submitted,

Terry A. Birch

Terry A. Birch
Associate Corporate Counsel
(203) 882-4546

enclosures

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PUBLIC UTILITY COMMISSION
OF THE STATE OF FLORIDA

IN THE MATTER OF THE APPLICATION OF CLARITY TELECOM LD NETWORK SERVICES, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE AS A RESELLER OF INTEREXCHANGE TELECOMMUNICATIONS SERVICES WITHIN THE STATE OF FLORIDA	) Docket No. 961472-TI

Financial Capability

On May 31, 1996, Clarity Telecom Holdings, Inc. (Clarity's parent company) purchased the distribution and telecommunications resale divisions (subject to regulatory approval) of EXECUTONE Information Systems, Inc. The broken out financial statements previously filed, under seal, reflect the combined assets and liabilities of the newly formed company, Clarity. A list of credit references was also previously filed, under seal.

Attached hereto is a redacted copy of the financial statements. Clarity is a new entity with a preference to provide only audited financial statements. The 1996 audited financial statements may be available in late April and can be provided when completed.

ARTHUR ANDERSEN LLP

DIRECT SALES AND SERVICE OFFICES OF EXECUTONE INFORMATION SYSTEMS, INC.

COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1995, 1994 AND 1993
TOGETHER WITH AUDITORS' REPORT

NON-PROPRIETARY VERSION

ARTHUR ANDERSEN LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
EXECUTONE Information Systems, Inc.:

We have audited the accompanying combined statements of assets and liabilities of the Direct Sales and Service Offices of EXECUTONE Information Systems, Inc. as of December 31, 1995, 1994 and 1993 and the related combined statements of operations and cash flows for each of the three years ended December 31, 1995. These financial statements are the responsibility of the management of EXECUTONE Information Systems, Inc. Our responsibility is to express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the assets and liabilities of the Direct Sales and Service Offices of EXECUTONE Information Systems, Inc. as of December 31, 1995, 1994 and 1993, and their results of operations and their cash flows for each of the three years ended December 31, 1995 in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Stamford, Connecticut,
May 15, 1996

DIRECT SALES AND SERVICE OFFICES OF

EXECUTONE INFORMATION SYSTEMS, INC.

COMBINED STATEMENTS OF ASSETS AND LIABILITIES

(In thousands)

	December 31,		
	1995	1994	1993
ASSETS			
CURRENT ASSETS:			
Total current assets	38,014	38,729	34,146
PROPERTY AND EQUIPMENT, net	6,018	5,662	5,342
INTANGIBLE ASSETS, net	-	17,187	17,483
OTHER ASSETS	1,345	815	624
Total assets	$45,377	$62,393	$57,595
LIABILITIES AND DIVISIONAL CONTROL ACCOUNT			
Total current liabilities	30,275	31,369	28,767
LONG-TERM DEFERRED REVENUE	2,794	2,345	1,340
CAPITALIZED LEASE OBLIGATIONS	279	114	207
Total liabilities	33,348	33,828	30,314
COMMITMENTS AND CONTINGENCIES (Note 10)			
DIVISIONAL CONTROL ACCOUNT	12,029	28,565	27,281
Total liabilities and divisional control account	$45,377	$62,393	$57,595

The accompanying notes to combined financial statements are an integral part of these financial statements.

DIRECT SALES AND SERVICE OFFICES OF

EXECUTONE INFORMATION SYSTEMS, INC.

COMBINED STATEMENTS OF OPERATIONS

(In thousands)

	Years Ended December 31,		
	1995	1994	1993
REVENUES	$191,841	$190,498	$172,721
COST OF SALES	121,438	123,219	112,029
GROSS PROFIT	70,402	67,279	60,692
OPERATING EXPENSES:			
Provision for restructuring(Note 11)	18,907	-	-
	81,846	57,700	55,572
OPERATING (LOSS) INCOME	(11,444)	9,578	5,120
OTHER (INCOME) AND EXPENSE	(48)	129	454
(LOSS) INCOME BEFORE INCOME TAXES	(11,396)	9,449	4,666
PROVISION FOR INCOME TAXES	(2,219)	(3,780)	(1,866)
NET (LOSS) INCOME	$(13,615)	$ 5,669	$ 2,800

The accompanying notes to combined financial statements are an integral part of these financial statements.

DIRECT SALES AND SERVICE OFFICES OF

EXECUTONE INFORMATION SYSTEMS, INC.

COMBINED STATEMENTS OF CASH FLOWS

(In thousands)

	Years Ended December 31,		
	1995	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	$(13,615)	$ 5,669	$ 2,800
Net cash provided by operating activities	3,419	8,633	7,955
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net cash used in investing activities	(1,665)	(2,198)	(1,231)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net cash used in financing activities	(3,014)	(4,468)	(5,975)
Net (decrease) increase in cash	(1,260)	1,967	749
CASH, beginning of year	5,549	3,582	2,833
CASH, end of year	$ 4,289	$ 5,549	$ 3,582

DIRECT SALES AND SERVICE OFFICES OF

EXECUTONE INFORMATION SYSTEMS, INC.

DIRECT SALES AND SERVICE OFFICES OF

EXECUTONE INFORMATION SYSTEMS, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 1995, 1994 AND 1993

(1) Basis of Presentation:

On April 9, 1996, EXECUTONE Information Systems, Inc. ("Executone") entered into an agreement (the "Agreement") to sell its Direct Sales and Service Offices, including its long-distance reseller businesses (the "DSO Group"), to Clarity Telecom Holdings, Inc.("Holdings"), an acquisition group led by Bain Capital, Inc. (see Note 3). The Agreement requires Executone to provide financial statements for the DSO Group for the years ended December 31, 1995, 1994 and 1993. Accordingly, the accompanying financial statements present the historical financial position and results of operations of the DSO Group and include all of the Direct Sales and Service Offices ("DSO's") which are to be sold in accordance with the Agreement and, therefore, exclude the Pittsburgh and Wisconsin locations, which are not being sold. In addition, the historical financial statements of the DSO Group included the financial position and results of operations of Executone's Healthcare and Call Center Management ("CCM") businesses. The Healthcare and CCM businesses are not being sold and, therefore, the accompanying financial statements exclude these businesses. The DSO Group was under the common control of Executone and its other subsidiaries and, therefore, the operating results and financial position of the DSO Group were impacted by the nature of this relationship (see Note 7).

The DSO's sell, install, support and service voice switching systems and provide cost-effective long-distance telephone service. Revenues are derived from the sales of its products and services through individual sales and service offices throughout the United States. All intercompany transactions among the DSO Group have been eliminated.

(2) Summary of Significant Accounting Policies:

Revenue recognition-

Revenue from equipment, software and installation contracts with end-users is recognized when the contract or contract phase for major installations is substantially completed. In those instances where the customer desires to take delivery of, and assume title for, the equipment prior to the installation, revenue is recognized when the equipment is delivered and the customer accepts title.

Revenue from maintenance performed on a time and materials basis is recognized when the work is complete. Network revenues are recognized based upon actual usage through the long distance carrier. Revenue derived from the sale of service contracts is amortized ratably over the service contract period on a straight-line basis.

Use of estimates-

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates (see Note 7).

(3)

(4)

In connection with the sale, Executone and Clarity will sign a distributor agreement which will allow Clarity to sell and service Executone's telephone products. Clarity is required to purchase or license certain levels of product from Executone on an annual basis. Purchase prices for inventory from Executone are to remain consistent with the price levels charged to the DSO Group when it operated as part of Executone. This agreement expires on May 30, 2001.

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(9) <u>Divisional Control Account:</u>

Prior to the consummation of the announced sale of the DSO Group, the DSO Group was operated as a division of Executone. Accordingly, all operating, financing and investing activities of the DSO Group were funded through interdivisional transactions with Executone and its other operating divisions and subsidiaries. The accompanying financial statements reflect this activity in the divisional control account.

The changes in the DSO Group's divisional control account for the years ended December 31, 1995, 1994 and 1993 are as follows (000's):

	1995	1994	1993
Balance, beginning of year	$ 28,565	$27,281	$30,456
Net (loss) income	(13,615)	5,669	2,800
Net distributions to Executone	(2,921)	(4,385)	(5,975)
Balance, end of year	$ 12,029	$28,565	$27,281

(10)

(11) Provision for Restructuring:

The original Executone business that was merged with Isotec and Vodavi in 1988 was a telephone equipment company that focused its direct selling effort on office sites with smaller hardware-oriented analog telephone systems with an emphasis on selling additional hardware to generate revenues and service, mainly on a time and material basis. Since the acquisition, Executone's strategic focus has been to develop advanced hardware products which incorporate digital technology and software-oriented applications and to expand its product lines to high-end users, with more sophisticated products in order to serve its customers' total communication needs. Under this strategy, the business acquired in 1988 was de-emphasized.

In connection with the issuance in March 1995 of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), Executone was able to reevaluate the realizability of the goodwill associated with aforementioned acquisition. SFAS 121 requires Executone to project the lowest level of identifiable future cash flows for purposes of determining whether there has been an impairment of long-lived assets. Given the change in business strategy since 1988, most of the Company's products no longer incorporate the analog technology acquired. As a result, it was determined that future cash flows related to the acquired technology and the related business would not be sufficient to realize the goodwill. Accordingly, Executone concluded there was an impairment and recorded an \$18.9 million provision for restructuring consisting of a \$17.0 million goodwill impairment and a \$1.9 million writedown of inventory, primarily service stock relating to the old product lines as of June 30, 1995.

The write-off of inventory was determined based upon a review of specific inventory parts along with current and projected usage, incorporating the strategic direction of Executone. The DSO Group continues to maintain adequate levels of service stock for the telephony hardware customer base which will be amortized over the estimated product/service life of the related systems.

Direct Sales and Service Offices of EXECUTONE Information Systems, Inc.

Combined Balance Sheet
May 31, 1996

NON-PROPRIETARY VERSION

Price Waterhouse LLP

160 Federal Street
Boston, MA 02110

Telephone 617 439 4390

Price Waterhouse LLP

Report of Independent Accountants

July 26, 1996

To the Board of Directors of
Clarity Telecom Holdings, Inc. and
EXECUTONE Information Systems, Inc.

In our opinion, the accompanying combined balance sheet presents fairly, in all material respects, the financial position of the Direct Sales and Service Offices of EXECUTONE Information Systems, Inc. at May 31, 1996 in conformity with generally accepted accounting principles. This financial statement is the responsibility of the management of the Direct Sales and Service Offices of EXECUTONE Information Systems, Inc.; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet, assessing the accounting principles used and significant estimates made by management, and evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for the opinion expressed above.

Price Waterhouse LLP

Direct Sales and Services Offices of EXECUTONE Information Systems, Inc.
Combined Balance Sheet
(In thousands)

	May 31, 1996
Assets	
Current assets:	
Total current assets	30,185
Property and equipment, net	6,146
Other assets	880
Total assets	$ 37,211
Liabilities and Divisional Control Account	
Current liabilities:	
Total current liabilities	31,627
Long-term deferred revenue	2,787
Capital lease obligations	234
Total liabilities	34,648
Commitments and contingencies (Note 8)	
Divisional control account	2,563
Total liabilities and divisional control account	$ 37,211

The accompanying notes to combined balance sheet
are an integral part of this financial statement

1. Basis of Presentation

On April 9, 1996, EXECUTONE Information Systems, Inc. ("Executone") entered into an agreement (the "Agreement") to sell its Direct Sales and Service Offices, including its long-distance reseller businesses (the "DSO Group"), to Clarity-Telecom Holdings, Inc. ("Holdings"), an acquisition group led by Bain Capital, Inc. (see Note 3).

The accompanying combined balance sheet presents the historical financial position of the DSO Group and includes all of the Direct Sales and Service Offices ("DSO's") which are to be sold in accordance with the Agreement and, therefore, excludes the Pittsburgh and Wisconsin locations, which are not being sold. In addition, the historical financial statements of the DSO Group included the financial position and results of operations of Executone's Healthcare, Call Center Management ("CCM") and Video businesses. The Healthcare, CCM and Video businesses are not being sold, and therefore, the accompanying combined balance sheet excludes the assets and liabilities of these businesses. The DSO Group was under the common control of Executone and its other subsidiaries and, therefore, the financial position of the DSO Group was impacted by the nature of this relationship (see Note 7).

The DSO's sell, install, support and service voice switching systems and provide cost-effective long-distance telephone service. Revenues are derived from the sales of its products and services through individual sales and service offices throughout the United States. All intercompany transactions among the DSO Group have been eliminated.

2. Summary of Significant Accounting Policies

Significant accounting policies used in the preparation of the combined balance sheet are as follows:

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

Revenue recognition
Revenue from equipment, software and installation contracts with end-users is recognized when the contract or contract phase for major installations is substantially completed. In those instances where the customer desires to take delivery of, and assume title for, the equipment prior to the installation, revenue is recognized when the equipment is delivered and the customer accepts title.

Revenue derived from maintenance performed on a time and materials basis is recognized when the work is complete. Revenue derived from the sale of service contracts is amortized ratably over the service contract period on a straight-line basis. Revenue derived from reselling long-distance services is recognized based upon actual usage through the long distance carrier.

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7. Divisional Control Account and Related Party Transactions

Prior to the sale of the DSO Group, the DSO Group was operated as a division of Executone. Accordingly, certain services were provided to the DSO Group by Executone including corporate management, legal, accounting, treasury, human resources, benefit administration, insurance, usage of computer systems, and office space at Executone's corporate office. These services and all other operating, financing and investing activities of the DSO Group were funded through interdivisional transactions with Executone and its other operating divisions and subsidiaries. The combined balance sheet reflects this activity in the divisional control account.

8.