

KELLEY DRYE & WARREN L.L.P.

A LIMITED LIABILITY PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

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June 9, 1997

970705 - TX

VIA OVERNIGHT COURIER

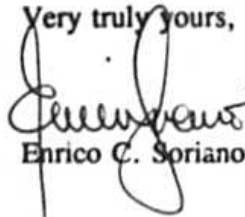
Ms. Blanca S. Bayo
Director, Division of Records and Reporting
Florida Public Service Commission
2550 Shumard Oak Boulevard
Tallahassee, Florida 32399

Re: Application of Golden Harbor, Inc., d/b/a Hometown Telephone, Inc. for Authority to Provide Resold Alternative Local Exchange Service

Dear Ms. Bayo:

Enclosed herewith for filing with the Florida Public Service Commission are the original and fifteen (15) copies of Golden Harbor, Inc.'s (d/b/a Hometown Telephone, Inc.) application for authority to provide resold alternative local exchange service. Also enclosed is the required filing fee of \$250.00. Kindly date-stamp the duplicate copy of this filing and return to the undersigned in the enclosed self-addressed, stamped envelope.

Very truly yours,



Enrico C. Soriano

encl.

ORIGINAL

FLORIDA PUBLIC SERVICE COMMISSION
CAPITAL CIRCLE OFFICE CENTER - 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

DATE

DEPOSIT

JUN 10 1997

APPLICATION FORM
for

**AUTHORITY TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE
WITHIN THE STATE OF FLORIDA**

INSTRUCTIONS

1. This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing alternative local exchange certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee.
2. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.
3. Use a separate sheet for each answer which will not fit the allotted space.
4. If you have questions about completing the form, contact:

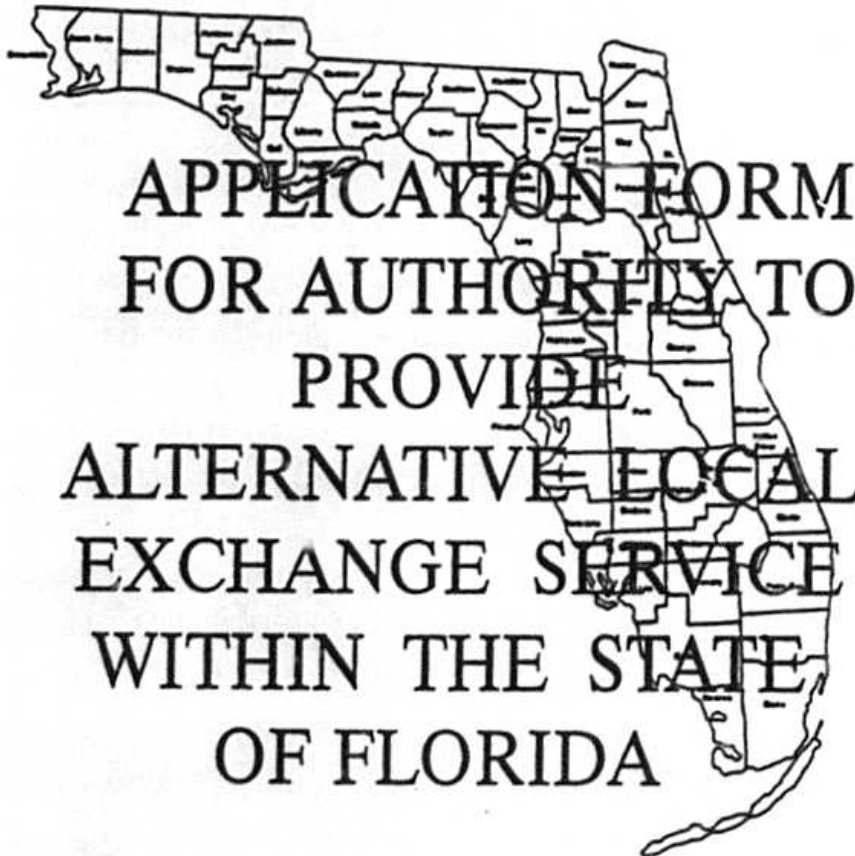
Florida Public Service Commission
Division of Communications, Certification & Compliance Section
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0866
(904) 413-6600

5. Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of \$250 made payable to the Florida Public Service Commission at the above address.

ORIGINAL

DEPOSIT DATE
D542 JUN 10 1997

970705-JX



RECEIVED
JUN 10 11:00:47
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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:
DL

DOCUMENT NUMBER-DATE

65759 JUN 10 97

FPSC-RECORDS/REPORTING

ORIGINAL

FLORIDA PUBLIC SERVICE COMMISSION
CAPITAL CIRCLE OFFICE CENTER - 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

DATE

DEPOSIT

JUN 10 1997

APPLICATION FORM
for

**AUTHORITY TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE
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Florida Public Service Commission
Division of Communications, Certification & Compliance Section
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0866
(904) 413-6600

5. Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of \$250 made payable to the Florida Public Service Commission at the above address.

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

(x) Original authority (new company)

() Approval of transfer (to another certificated company)

Example, a certificated company purchases an existing company and desires to retain the original certificate authority.

() Approval of assignment of existing certificate (to a noncertificated company)

Example, a non-certificated company purchases an existing company and desires to retain the certificate of authority rather than apply for a new certificate.

() Approval for transfer of control (to another certificated company)

Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of applicant:

Golden Harbor of Florida, Inc.
d/b/a Hometown Telephone, Inc.

3. A. National mailing address including street name, number, post office box, city, state, zip code, and phone number.

401 Carlson Circle
San Marcos, Texas 78666
(512) 392-6284

B. Florida mailing address including street name, number, post office box, city, state, zip code, and phone number.

C. Physical address of alternative local exchange service in Florida including street name, number, post office box, city, zip code and phone number.

The Applicant does not yet have an office in Florida.

4. Structure of organization:

- | | |
|---|--|
| <input type="checkbox"/> Individual | <input type="checkbox"/> Corporation |
| <input checked="" type="checkbox"/> Foreign Corporation | <input type="checkbox"/> Foreign Partnership |
| <input type="checkbox"/> General Partnership | <input type="checkbox"/> Limited Partnership |
| <input type="checkbox"/> Joint Venture | <input type="checkbox"/> Other, Please explain _____ |

5. If incorporated, please provide proof from the Florida Secretary of State that the applicant has authority to operate in Florida.

Corporate charter number: 01444204

See attached EXHIBIT A

6. Name under which the applicant will do business (d/b/a):

Hometown Telephone, Inc.

7. If applicable, please provide proof of fictitious name (d/b/a) registration.

Fictitious name registration number: See EXHIBIT A

8. If applicant is an individual, partnership, or joint venture, please give name, title and address of each legal entity.

Applicant is a foreign corporation.

9. State whether any of the officers, directors, or any of the ten largest stockholders have previously been adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.

None of the applicant's officers, directors, or any of the ten largest stockholders has been adjudged bankrupt, mentally incompetent or found guilty of any felony or of any crime. No such proceedings are pending.

10. Please provide the name, title, address, telephone number, internet address, and facsimile number for the person serving as ongoing liaison with the Commission, and if different, the liaison responsible for this application.

See attached EXHIBIT B.

11. Please list other states in which the applicant is currently providing or has applied to provide local exchange or alternative local exchange service.

Georgia, Indiana

12. Has the applicant been denied certification in any other state? If so, please list the state and reason for denial.

No, it has not been denied certification in any state.

13. Have penalties been imposed against the applicant in any other state? If so, please list the state and reason for penalty.

No, penalties have not been imposed against applicant in any state.

14. Please indicate how a customer can file a service complaint with your company.

Customers can call a toll-free Customer Service number, (800) 554-3057.

15. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide alternative local exchange service in Florida.

A. Financial capability.

Regarding the showing of financial capability, the following applies:

The application should contain the applicant's financial statements for the most recent 3 years, including:

1. the balance sheet
2. income statement
3. statement of retained earnings.

Further, a written explanation, which can include supporting documentation, regarding the following should be provided to show financial capability.

1. Please provide documentation that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.
2. Please provide documentation that the applicant has sufficient financial capability to maintain the requested service.
3. Please provide documentation that the applicant has sufficient financial capability to meet its lease or ownership obligations.

NOTE: This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.

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 attest that the financial statements are true and correct.

Please see attached EXHIBIT C.

B. Managerial capability.

Please see attached EXHIBIT D.

C. Technical capability.

Please see attached EXHIBIT E.

EXHIBIT A

Certificate of Incorporation and Certificate of Foreign Authorization



The State of Texas
Secretary of State

CERTIFICATE OF INCORPORATION

OF

GOLDEN HARBOR OF FLORIDA, INC.
CHARTER NUMBER 01444204

THE UNDERSIGNED, AS SECRETARY OF STATE OF THE STATE OF TEXAS, HEREBY CERTIFIES THAT THE ATTACHED ARTICLES OF INCORPORATION FOR THE ABOVE NAMED CORPORATION HAVE BEEN RECEIVED IN THIS OFFICE AND ARE FOUND TO CONFORM TO LAW.

ACCORDINGLY, THE UNDERSIGNED, AS SECRETARY OF STATE, AND BY VIRTUE OF THE AUTHORITY VESTED IN THE SECRETARY BY LAW, HEREBY ISSUES THIS CERTIFICATE OF INCORPORATION.

ISSUANCE OF THIS CERTIFICATE OF INCORPORATION DOES NOT AUTHORIZE THE USE OF A CORPORATE NAME IN THIS STATE IN VIOLATION OF THE RIGHTS OF ANOTHER UNDER THE FEDERAL TRADEMARK ACT OF 1946, THE TEXAS TRADEMARK LAW, THE ASSUMED BUSINESS OR PROFESSIONAL NAME ACT OR THE COMMON LAW.

DATED MAY 5, 1997

EFFECTIVE MAY 5, 1997



A handwritten signature in black ink, appearing to read "Antonio O. Garza, Jr.".

Antonio O. Garza, Jr., Secretary of State

ARTICLES OF INCORPORATION
OF
GOLDEN HARBOR OF FLORIDA, INC.

COPY

FILED
In the Office of the
Secretary of State of Texa.

MAY 05 1997

Corporations Section

ARTICLE ONE

The name of the corporation is Golden Harbor of Florida, Inc. (the "Corporation").

ARTICLE TWO

The Corporation shall have perpetual duration.

ARTICLE THREE

The purpose for which the Corporation is organized shall be the transaction of any and all lawful business for which a corporation may be incorporated pursuant to the Texas Business Corporation Act.

ARTICLE FOUR

The aggregate number of shares which the Corporation shall have authority to issue is 10,000 shares of common stock, with par value of \$00.01 per share.

ARTICLE FIVE

The Corporation will not commence business until it has received for the issuance of its shares consideration of the value of \$1,000, consisting of money, labor done, or property actually received.

ARTICLE SIX

The street address of the Corporation's initial registered office is 401 Carlson Circle, San Marcos, Texas 78666, and the name of its initial registered agent at such address is Harold E. Lovelady.

ARTICLE SEVEN

The number of directors constituting the initial Board of Directors is ^{two} ~~one~~, and the names and addresses of the persons who are to serve as the initial directors are:

Harold E. Lovelady
401 Carlson Circle
San Marcos, Texas 78666

Sally A. Batz
6881 S.E. North Marina Way
Stuart, Florida 34996

ARTICLE EIGHT

Cumulative voting of shares shall not be allowed in the election of directors. The power to alter, amend or repeal the Corporation's Bylaws and to adopt new Bylaws shall be vested in the Board of Directors, subject to repeal or change by action of the shareholders.

ARTICLE NINE

The name and address of the incorporator is:

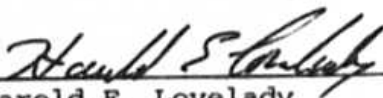
Harold E. Lovelady
401 Carlson Circle
San Marcos, Texas 78666

ARTICLE TEN

Any action required or permitted by law to be taken at any meeting of shareholders may be taken without a meeting, without prior notice, and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to take such action at a meeting at which the holders of all shares entitled to vote on the matter were present and voted.

ARTICLE ELEVEN

A director of the Corporation shall not be liable to the Corporation or its shareholders for monetary damages for an act or omission in the director's capacity as a director of the Corporation, except to the extent that such exemption from liability or limitation thereof is not permitted under the applicable laws of the State of Texas, including, without limitation, the Texas Business Corporation Act and the Texas Miscellaneous Corporation Laws Act, as the same exist or may hereafter be amended. Any repeal or modification of the foregoing sentence shall not adversely affect any right or protection of a director of the Corporation existing hereunder in respect of any act or omission occurring prior to the time of such repeal or modification.



Harold E. Lovelady
Incorporator



FLORIDA DEPARTMENT OF STATE
Sandra B. Mortham
Secretary of State

May 13, 1997

CT Corporation System

Qualification documents for GOLDEN HARBOR OF FLORIDA, INC. doing business in Florida as HOMETOWN TELEPHONE, INC. were filed on May 12, 1997 and assigned document number F9700002525. Please refer to this number whenever corresponding with this office.

Your corporation is now qualified and authorized to transact business in Florida as of the file date.

A corporation annual report will be due this office between January 1 and May 1 of the year following the calendar year of the file date. A Federal Employer Identification (FEI) number will be required before this report can be filed. If you do not already have an FEI number, please apply NOW with the Internal Revenue by calling 1-800-829-3676 and requesting form SS-4.

Please be aware if the corporate address changes, it is the responsibility of the corporation to notify this office.

Should you have any questions regarding this matter, please telephone (904) 487-6091, the Foreign Qualification/Tax Lien Section.

Jennifer Sindt
Document Examiner
Division of Corporations

Letter Number: 697A00025419

APPLICATION BY FOREIGN CORPORATION FOR AUTHORIZATION
TO TRANSACT BUSINESS IN FLORIDA

IN COMPLIANCE WITH SECTION 607.1503, FLORIDA STATUTES, THE FOLLOWING IS
SUBMITTED TO REGISTER A FOREIGN CORPORATION TO TRANSACT BUSINESS IN THE
STATE OF FLORIDA:

1. Golden Harbor of Florida, Inc.
(Name of corporation: must include the word "INCORPORATED", "COMPANY", "CORPORATION", or words or abbreviations of like import in language as will clearly indicate that it is a corporation instead of a natural person or partnership if not so contained in the name at present.)
2. Texas 3. applied for
(State or country under the law of which it is incorporated) (FEI number, if applicable)
4. May 5, 1997 5. Perpetual
(Date of Incorporation) (Duration: Year corp. will cease to exist or "perpetual")
6. Upon Qualification
(Date first transacted business in Florida. (See sections 607.1501, 607.1502, and 617.156, F.S.))
7. 401 Carlson Circle, San Marcos, Texas 78666
(Current mailing address)
8. any and all lawful business for which a corporation may be incorporated pursuant to the Texas Business Corporation Act
(Purpose(s) of corporation authorized in home state or country to be carried out in the state of Florida)

FILED
SECRETARY OF STATE
DIVISION OF CORPORATIONS
97 MAY 12 AM 8:53

9. Name and street address of Florida registered agent:

Name: C T Corporation System
Office Address: c/o C T Corporation System, 1200 South Pine
Island Road
Plantation, Florida, 33324
(Zip Code)

10. Registered agent acceptance:

Having been named as registered agent and to accept service of process for the above stated corporation at the place designated in this application. I hereby accept the appointment as registered agent and agree to act in this capacity. I further agree to comply with the provisions of all statutes relative to the proper and complete performance of my duties, and I am familiar with and accept the obligation of my position as registered agent.


C T Corporation System

(Registered agent's signature) (Officer)

E.A. Wallace, Asst. Secretary

(Type Name and Title of Officer)

11. Attached is a certificate of existence duly authenticated, not more than 90 days prior to delivery of this application to the Department of State, by the Secretary of State or other official having custody of corporate records in the jurisdiction under the law of which it is incorporated.

12. Names and addresses of officers and/or directors:

A. DIRECTORS

Chairman: _____

Address: _____

Vice Chairman: _____

Address: _____

Director: Harold E. Lovelady

Address: 401 Carlson Circle

San Marcos, Texas 78666

Director: Sally A. Batz

Address: 6881 SE North Marina Way

Stuart, Florida 34996

B. OFFICERS

President: Harold E. Lovelady

Address: 401 Carlson Circle

San Marcos, Texas 78666

Vice President: Bernice Rainosek

Address: 401 Carlson Circle

San Marcos, Texas 78666

Secretary: Sally A. Batz


Address: 6881 SE North Marina Way

Stuart, Florida 34996

Treasurer: _____

Address: _____

NOTE: If necessary, you may attach an addendum to the application listing additional officers and/or directors.

13.  _____
(Signature of Chairman, Vice Chairman, or any officer listed in number 12 of the application)

14. Bernice Raimosek, Vice President _____
(Typed or printed name and capacity of person signing application)

FILED
SECRETARY OF STATE
DIVISION OF CORPORATIONS
97 MAY 12 AM 8:53

ADDENDUM
to
Application by Foreign Corporation for
Authorization to Transact Business in Florida

12.B. Additional officers of Golden Harbor of Florida, Inc.:

Assistant Secretary: Harold E. Lovelady
401 Carlson Circle
San Marcos, Texas 78666

Assistant Secretary: Bernice Rainosek
401 Carlson Circle
San Marcos, Texas 78666

FILED
SECRETARY OF STATE
DIVISION OF CORPORATIONS
97 MAY 12 AM 8:53

**Contacts for Golden Harbor of Florida, Inc.
d/b/a Hometown Telephone, Inc.**

**Martha Smiley
Consultant
Golden Harbor of Florida, Inc.
401 Carlson Circle
San Marcos, Texas 78666
(512) 392-6284
(512) 392-6276 (facsimile)**

**Brad E. Mutschelknaus
Enrico C. Soriano
Marieann Z. Machida
Kelley Drye & Warren LLP
1200 19th Street, N.W.
Washington, D.C. 20036
(202) 955-9600
(202) 955-9792 (facsimile)**

Customer Service (800) 554-3057

EXHIBIT C

Financial Information

Statement of Financial Fitness

Golden Harbor of Florida, Inc. ("Golden Harbor"), d/b/a/ Hometown Telephone, Inc., is a newly formed company and, as such, has no historical financial records. However, Golden Harbor is a wholly owned subsidiary of Thrifty Call, Inc. ("Thrifty Call"). Thrifty Call is a profitable company with a strong record of financial success. In 1996, Thrifty Call had net income of \$5.8 million. Golden Harbor will, at least initially, rely upon Thrifty Call's financial strength to provide resold competitive local exchange service in Florida.

As a reseller, Golden Harbor will not have to invest significant sums in plant or equipment. Rather, Golden Harbor will be purchasing the services of the incumbent facilities-based carriers for resale. Golden Harbor, through its parent, has the necessary financial resources to provide resold services, as demonstrated by Thrifty Call's financial and business performance over the last three years.

Financial Statements

Thrifty Call, Inc.

*Years ended December 31, 1995 and 1994
with Report of Independent Auditors*

Thrifty Call, Inc.
Financial Statements

Years ended December 31, 1995 and 1994

Contents

Report of Independent Auditors.....	1
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Report of Independent Auditors

The Board of Directors
Thrifty Call, Inc.

We have audited the accompanying balance sheets of Thrifty Call, Inc. (the "Company") as of December 31, 1995 and 1994, and the related statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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 financial position of Thrifty Call, Inc. at December 31, 1995 and 1994, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Ernst & Young LLP

February 20, 1996

	December 31	
	1995	1994
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 9,122,914	\$ 2,508,198
Accrued expenses	306,552	443,102
Sales taxes payable	768,654	724,857
State income taxes payable	67,926	-
Current deferred state income taxes payable (Note 6)	132,964	88,051
Current portion of long-term debt and capital lease obligations (Note 4)	5,524,078	5,710,163
Total current liabilities	<u>15,923,088</u>	<u>9,474,371</u>
Long-term debt (Note 4)	7,238,560	1,500,000
Commitments and contingencies (Notes 5 and 9)		
Stockholders' equity:		
Common stock, \$1.00 par value, 100,000 shares authorized, 5,000 shares issued and outstanding	5,000	5,000
Retained earnings	6,679,561	5,864,267
Total stockholders' equity	<u>6,684,561</u>	<u>5,869,267</u>
Total liabilities and stockholders' equity	<u>\$29,846,209</u>	<u>\$16,843,638</u>

See accompanying notes.

Thrifty Call, Inc.

Statements of Income

	Year ended December 31	
	1995	1994
Net operating revenues	\$77,167,454	\$39,460,590
Operating expenses	50,942,869	26,380,020
Contribution margin	<u>26,224,585</u>	<u>13,080,570</u>
Nonoperating expense:		
Selling expenses	11,910,998	5,006,684
General and administrative expenses	9,248,917	1,972,551
Amortization expense	319,405	86,642
Total nonoperating expense	<u>21,479,320</u>	<u>7,065,877</u>
Other income (expense):		
Interest expense	(701,117)	(174,184)
Interest income	87,073	112,567
Other income	601,891	59,170
Total other expense	<u>(12,153)</u>	<u>(2,447)</u>
Net income before state income taxes	4,733,112	6,012,246
State income taxes (Note 6)	117,818	78,327
Net income	<u>\$ 4,615,294</u>	<u>\$ 5,933,919</u>

See accompanying notes.

Thrifty Call, Inc.

Statements of Stockholders' Equity

	Common Stock	Retained Earnings	Total Stockholders' Equity
Balance at December 31, 1993	\$5,000	\$ 778,572	\$ 783,572
Carryover basis adjustment <i>(Note 1)</i>	-	(289,474)	(289,474)
Net income	-	5,933,919	5,933,919
Distributions	-	(558,750)	(558,750)
Balance at December 31, 1994	5,000	5,864,267	5,869,267
Net income	-	4,615,294	4,615,294
Distributions	-	(3,800,000)	(3,800,000)
Balance at December 31, 1995	<u>\$5,000</u>	<u>\$6,679,561</u>	<u>\$6,684,561</u>

See accompanying notes.

Thrifty Call, Inc.

Statements of Cash Flows

	Year ended December 31	
	1995	1994
Operating activities		
Net income	\$ 4,615,294	\$5,933,919
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	719,434	8,019
Amortization	319,405	86,642
Changes in operating assets and liabilities:		
Accounts receivable and account receivable from an affiliate	(2,104,377)	(7,843,738)
Other assets	(125,018)	23,972
Accounts payable	6,614,716	1,984,086
Accrued expenses and state income taxes payable	20,086	948,358
Net cash provided by operating activities	10,059,540	1,141,258
Investing activities		
Principal payments received on (investment in) notes receivable from stockholders	2,131,200	(2,131,200)
Payment of capitalized installation charges	(1,350,930)	(410,461)
Purchases of property, plant and equipment	(12,543,943)	(330,533)
Payments for businesses acquired net of cash received	-	(1,972,092)
Net cash used in investing activities	(11,763,673)	(4,844,286)
Financing activities		
Proceeds from issuance of long-term debt and capital lease obligations	7,574,638	4,751,692
Principal payments on long-term debt and capital lease obligations	(2,422,163)	(354,000)
Distributions to stockholders	(3,800,000)	(558,750)
Net cash provided by financing activities	1,752,475	3,838,942
Increase in cash and cash equivalents	48,342	135,914
Cash and cash equivalents at beginning of year	155,991	20,077
Cash and cash equivalents at end of year	\$ 204,333	\$ 155,991

See accompanying notes.

Thrifty Call, Inc.

Notes to Financial Statements

December 31, 1995

1. Significant Accounting Policies

Description of Business

Thrifty Call, Inc. (the "Company") is a reseller of long-distance services to residential and business customers. The Company currently provides services in Alabama, Florida, Georgia, Idaho, Indiana, Kentucky, Michigan, Montana, North Carolina, Ohio, Oregon, South Carolina, Tennessee, Texas, Washington and West Virginia.

During 1994, Thrifty Call, Inc. acquired from one of its stockholders 100% of the stock of Lovelady Management Service, Inc. (LMS) for \$500,000 cash and 100% of the stock of Alternative Network Services, Inc. (ANSI) for \$400,000 cash and a \$1,800,000 note. The acquisitions were accounted for as purchases. Accordingly, the assets and liabilities of the acquired companies have been adjusted to reflect the purchase price of the acquisitions, using an allocation based upon the estimated fair values of the acquired assets and liabilities. The remaining excess of the purchase price over the fair value of acquired assets and liabilities, approximately \$1,300,000, has been recorded as goodwill and is being amortized over 15 years.

As LMS and ANSI were acquired from a Thrifty Call, Inc. stockholder, the percentage of the excess purchase price over the historical basis of those assets and liabilities related to this common stockholder has been recorded as a carryover basis adjustment. The Company has recorded a carryover basis adjustment in the amount of \$289,474 (retained earnings) which represents the common stockholder's percentage of the excess purchase price over historical net assets at the date of acquisition.

The results of operations of LMS and ANSI have been included in the financial statements of Thrifty Call, Inc. from the date of acquisition.

Accounts Receivable

The Company's accounts receivable are comprised of balances due from local exchange carriers that provide telephone services to the general public and businesses.

Thrifty Call, Inc.

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Capitalized Installation Charges

Capitalized installation charges represent amounts paid to local telephone companies to initiate service and are amortized using the straight-line method over 5 years.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an initial maturity of three months or less.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the various assets, generally two to ten years. Amortization of assets recorded under capital leases is included with depreciation expense.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. Notes Receivable

Notes receivable from stockholders at December 31, 1994 consisted of seven unsecured notes each bearing interest at prime rate plus 1% and were due on demand. These notes were repaid in 1995.

Thrifty Call, Inc.

Notes to Financial Statements (continued)

3. Property, Plant and Equipment

During 1995, the Company began construction of an office building in San Marcos, Texas to house the Company. At December 31, 1995 the Company has capitalized a total of \$2,466,304 in construction costs, construction period interest and land. The building will be placed in service in 1996. During 1995, the Company also installed and placed in service communications switches in Seattle, Dallas, Atlanta and Indianapolis. The capitalized cost of these four switches totaled \$8,388,613.

Property, plant and equipment consists of the following at December 31:

	<u>1995</u>	<u>1994</u>
Computer equipment	\$ 585,264	\$334,194
Purchased software	133,585	93,030
Office equipment and other	248,340	174,506
Furniture and fixtures	284,735	68,971
Leasehold improvements	1,225,631	117,828
Building—construction in progress	2,149,897	—
Switch Equipment	8,388,613	—
Land	316,407	—
	<u>13,332,472</u>	<u>788,529</u>
Less accumulated depreciation	(727,453)	(8,019)
Net property, plant and equipment	<u>\$12,605,019</u>	<u>\$780,510</u>

Thrifty Call, Inc.

Notes to Financial Statements (continued)

4. Long-term Debt and Capital Lease Obligations

Long-term debt and capital lease obligations consist of the following:

	December 31	
	1995	1994
Capital leases	\$ -	\$ 5,163
\$12,000,000 line of credit, bearing interest at bank base rate (9.5% at December 31, 1995) plus 1%, payable quarterly, due May 31, 1996, collateralized by accounts receivable	4,461,920	3,250,000
Stockholders' uncollateralized demand notes bearing interest at the prime rate plus 1%	168,000	2,155,000
Stockholder's uncollateralized note bearing interest at the prime rate plus 1 ¼% payable in six annual installments of \$300,000 beginning January 1, 1995 through January 1, 2000	1,500,000	1,800,000
\$2,000,000 construction loan, bearing interest at bank base rate (9.5% at December 31, 1995) plus ¾% and collateralized by the office building. Interest is payable monthly commencing June 4, 1995 with the first installment of principal and interest due September 4, 1996 and continuing monthly thereafter, based upon a 10 year amortization, until May 4, 2000 when the entire unpaid principal and accrued interest becomes due.	1,641,546	-

Thrifty Call, Inc.

Notes to Financial Statements (continued)

4. Long-term Debt and Capital Lease Obligations (continued)

	December 31	
	1995	1994
<p>\$5,000,000 equipment purchase loan, bearing interest at 8.92% per annum and collateralized by certain equipment. Interest is payable monthly commencing June 30, 1995. Beginning May 31, 1996 monthly principal and interest payments of \$103,598 are due until March 30, 2001. On April 30, 2001 a final payment of all accrued and unpaid interest and outstanding principal is due.</p>	\$ 4,991,172	\$ -
<p>Total long-term debt and capital leases</p>	12,762,638	7,210,163
<p>Less current portion</p>	(5,524,078)	(5,710,163)
<p>Long-term debt</p>	<u>\$ 7,238,560</u>	<u>\$ 1,500,000</u>

The Company had irrevocable letters of credit totaling \$960,225 and \$200,000 at December 31, 1994 and 1995, respectively, which are being maintained as security for certain notes payable to stockholders and certain vendor obligations. Such letters of credit reduce the Company's maximum borrowings under the \$12,000,000 line of credit.

Thrifty Call, Inc.

Notes to Financial Statements (continued)

5. Commitments

The Company leases various property and equipment under capital and operating leases. Lease expense under operating leases for the years ended December 31, 1995 and 1994 was \$339,243 and \$12,575, respectively. Future minimum annual lease payments as of December 31, 1995 are as follows:

<u>Year ending</u>	<u>Operating Leases</u>
1996	\$332,784
1997	174,396
1998	167,963
1999	163,615
2000	51,767
Total minimum lease payments	<u>\$890,525</u>

6. Income Taxes

The stockholders elected to have the Company treated as an S Corporation under the Internal Revenue Code. Accordingly, the Company does not pay federal corporate tax on its income. The Company's stockholders include their pro rata share of the Company's taxable income in their individual income tax returns. It is the intent of the Company to pay dividends to its stockholders in amounts that are at least sufficient to cover the tax effect that results from the Company's taxable income being included in the stockholders' individual income tax returns.

The Company is subject to state income taxes in certain states which do not recognize S Corporation status. The Company accounts for such state income taxes using the liability method in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under this method, deferred tax assets and liabilities are determined based upon differences between financial reporting and tax basis of assets and liabilities. At December 31, 1995 and 1994, deferred taxes result primarily from differences between the book basis and tax basis of accounts receivable, installation costs and accounts payable.

Thrifty Call, Inc.

Notes to Financial Statements (continued)

6. Income Taxes (continued)

For purposes of the Michigan Single Business Tax, the Company has a business loss carryforward of approximately \$485,000 at December 31, 1995.

7. Settlement Agreement

In March 1994, a settlement agreement (the "Agreement") was executed by and between LMS and an unrelated long-distance carrier, whereby the existing services agreement was terminated. The Agreement resulted in a one-time cash payment to LMS of \$500,000 and required continued payments to LMS through 1996. As a part of the LMS acquisition, payments in conjunction with the Agreement since the acquisition of LMS are made to the Company. The Company received \$376,488 in payments under the Agreement in 1995 which were recorded as other income.

8. Purchase Commitments

At December 31, 1994, the Company had committed to purchase equipment totaling approximately \$7,000,000. As of December 31, 1995, this equipment had been purchased and capitalized.

9. Related Party Transactions

In 1995, certain stockholders of the company and other individuals formed a related company, Thrifty Call Services, Inc. ("TCSI"). TCSI provides termination services on a wholesale basis in the State of Texas for long-distance providers. Under a management agreement with TCSI, the Company provides management services for TCSI's operations for an agreed-upon fee based on TCSI's level of termination activity. The Company earned a fee of approximately \$108,000 during the year ended December 31, 1995 under the management agreement.

TCSI also provides termination services to the Company. TCSI bills these services to the Company at cost. Such termination expenses totaled approximately \$142,000 for the year ended December 31, 1995.

Financial Statements

Thrifty Call, Inc.

*Years ended December 31, 1996 and 1995
with Report of Independent Auditors*

Thrifty Call, Inc.
Financial Statements

Years ended December 31, 1996 and 1995

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Report of Independent Auditors

The Board of Directors
Thrifty Call, Inc.

We have audited the accompanying balance sheets of Thrifty Call, Inc. (the "Company") as of December 31, 1996 and 1995, and the related statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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 financial position of Thrifty Call, Inc. at December 31, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Ernst + Young LLP

February 21, 1997

Thrifty Call, Inc.

Balance Sheets

	December 31	
	1996	1995
Assets		
Current assets:		
Cash and cash equivalents	\$ 120,428	\$ 1,114,790
Accounts receivable, net of allowance of \$139,976 and \$305,443 in 1996 and 1995, respectively	8,307,519	14,901,537
Other assets	185,301	952,453
Total current assets	<u>8,613,248</u>	<u>16,968,780</u>
Property, plant and equipment <i>(Note 3)</i>	15,996,999	14,063,280
Less: Accumulated depreciation	(2,511,664)	(745,981)
Net property, plant and equipment	<u>13,485,335</u>	<u>13,317,299</u>
Goodwill and capitalized installation charges	3,397,768	3,330,351
Less: Accumulated amortization	(926,353)	(439,321)
Net goodwill and capitalized installation charges	<u>2,471,415</u>	<u>2,891,030</u>
Total assets	<u>\$24,569,998</u>	<u>\$33,177,109</u>

	December 31	
	1996	1995
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 5,960,709	\$ 8,989,098
Accrued expenses	155,362	328,823
Sales taxes payable	697,185	768,654
State income taxes payable	-	67,926
Current deferred state income taxes payable (Note 6)	-	141,608
Current portion of long-term debt (Note 4)	3,947,875	8,760,078
Total current liabilities	<u>10,761,131</u>	<u>19,056,187</u>
Long-term debt (Note 4)	5,837,303	7,238,560
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Common stock, no par value, 100,000 shares authorized, 50,000 shares issued and outstanding	15,000	15,000
Retained earnings	7,956,564	6,867,362
Total stockholders' equity	<u>7,971,564</u>	<u>6,882,362</u>
Total liabilities and stockholders' equity	<u>\$24,569,998</u>	<u>\$33,177,109</u>

See accompanying notes.

Thrifty Call, Inc.

Statements of Income

	Year ended December 31	
	1996	1995
Net operating revenues	\$67,799,411	\$78,437,593
Operating expenses	47,610,773	51,826,539
Contribution margin	<u>20,188,638</u>	<u>26,611,054</u>
Non-operating expense:		
Selling expenses	1,321,094	11,910,998
General and administrative expenses	9,998,425	8,566,290
Depreciation and amortization expense	2,285,758	1,057,718
Total non-operating expense	<u>13,605,277</u>	<u>21,535,006</u>
Other income (expense):		
Interest expense	(860,266)	(729,644)
Interest income	9,649	88,862
Other income	271,979	494,292
Total other expense	<u>(578,638)</u>	<u>(146,490)</u>
Net income before state income taxes	6,004,723	4,929,558
State income taxes (Note 6)	158,214	126,463
Net income	<u>\$ 5,846,509</u>	<u>\$ 4,803,095</u>

See accompanying notes.

Thrifty Call, Inc.

Statements of Cash Flows

	Year ended December 31	
	1996	1995
Operating activities		
Net income	\$ 5,846,509	\$ 4,803,095
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,285,758	1,057,718
Gain on sale of equipment	(2,904)	-
Changes in operating assets and liabilities:		
Accounts receivable, net	6,594,018	(3,016,844)
Other assets	767,152	(904,845)
Accounts payable	(3,028,389)	6,480,900
Accrued expenses and taxes payable	(454,464)	51,001
Net cash provided by operating activities	<u>12,007,680</u>	<u>8,471,025</u>
Investing activities		
Principal payments received on notes receivable from stockholders	-	2,131,200
Payment of capitalized installation charges	(67,417)	(1,367,150)
Purchases of property, plant and equipment	(2,363,858)	(13,274,751)
Proceeds from sale of property, plant and equipment	400,000	-
Net cash used in investing activities	<u>(2,031,275)</u>	<u>(12,510,701)</u>
Financing activities		
Proceeds from issuance of common stock	-	10,000
Proceeds from issuance of long-term debt	430,954	11,510,638
Principal payments on long-term debt	(6,644,414)	(2,722,163)
Distributions to stockholders	(4,757,307)	(3,800,000)
Net cash (used in) provided by financing activities	<u>(10,970,767)</u>	<u>4,998,475</u>
(Decrease) increase in cash and cash equivalents	(994,362)	958,799
Cash and cash equivalents at beginning of year	1,114,790	155,991
Cash and cash equivalents at end of year	<u>\$ 120,428</u>	<u>\$ 1,114,790</u>

See accompanying notes.

Thrifty Call, Inc.

Notes to Financial Statements

December 31, 1996

1. Significant Accounting Policies

Description of Business

Thrifty Call, Inc. (the "Company") provides long-distance services to residential and business customers in Alabama, Florida, Georgia, Idaho, Indiana, Kentucky, Michigan, Montana, North Carolina, Ohio, Oregon, South Carolina, Tennessee, Texas, Washington and West Virginia. The Company also provides termination services to various long-distance companies in the State of Texas.

Accounts Receivable

The Company's accounts receivable are comprised of balances due from local exchange carriers that provide telephone services to the general public and businesses, as well as from major long-distance carriers that provide telephone services to the general public and businesses.

Capitalized Installation Charges

Capitalized installation charges represent amounts paid to local telephone companies to initiate service and are amortized using the straight-line method over 5 years.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an initial maturity of three months or less.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the various assets, generally three to ten years.

Thrifty Call, Inc.

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. Stock Distributions and Thrifty Call Services, Inc. Acquisition

In September 1996, the Company made a distribution of 35,000 shares of its common stock, no par value, on a pro rata basis to existing shareholders (5,000 common shares were outstanding prior to the distribution). The Company has restated outstanding share amounts in the financial statements to retroactively reflect the stock distributions similar to a stock split.

In October 1996, the Company acquired all of the outstanding shares of Thrifty Call Services, Inc. ("TCSI") through the issuance of 10,000 shares of the Company's common stock, no par value. TCSI provided termination services to various long distance companies in the State of Texas. Subsequent to the acquisition, the Company assumed TCSI's operations and TCSI was dissolved. The Company's stockholders were also the majority stockholders of TCSI; thus, the Company has accounted for the acquisition in a manner similar to a pooling of interest and, accordingly, has restated its financial statements to include the accounts and operations of TCSI for all periods presented. TCSI's revenue and net income prior to the acquisition included in the Company's results of operations were \$14.7 million and \$2.3 million, respectively, for the year ended December 31, 1996, and \$1.4 million and \$0.2 million, respectively, for the year ended December 31, 1995.

3. Property, Plant and Equipment

During 1995, the Company began construction of an office building in San Marcos, Texas to house the Company. The building was placed in service in 1996. During 1995, the Company also installed and placed communications switches in service in Seattle, Dallas, Atlanta and Indianapolis.

Thrifty Call, Inc.

Notes to Financial Statements (continued)

3. Property, Plant and Equipment (continued)

Property, plant and equipment, substantially all of which has been pledged to secure lines of credit and construction and equipment notes (see Note 4), consists of the following at December 31:

	<u>1996</u>	<u>1995</u>
Computer equipment	\$ 748,685	\$ 622,423
Purchased software	167,630	133,585
Office equipment and other	310,713	248,340
Furniture and fixtures	311,831	284,735
Leasehold improvements	1,227,926	1,225,631
Building—construction in progress	—	2,149,897
Building	2,774,953	—
Switch equipment	10,138,854	9,082,262
Land	316,407	316,407
	<u>15,996,999</u>	<u>14,063,280</u>
Less accumulated depreciation	(2,511,664)	(745,981)
Net property, plant and equipment	<u>\$13,485,335</u>	<u>\$13,317,299</u>

Thrifty Call, Inc.

Notes to Financial Statements (continued)

4. Long-term Debt (continued)

	December 31	
	1996	1995
\$5,000,000 equipment purchase loan, bearing interest at 8.92% per annum and collateralized by certain equipment. Interest payable monthly through April 1996 with monthly principal and interest payments of \$103,598 thereafter until March 30, 2001. On April 30, 2001 a final payment of all accrued and unpaid interest and outstanding principal is due.	\$4,025,476	\$4,991,172
Total long-term debt	9,785,178	15,998,638
Less current portion	(3,947,875)	(8,760,078)
Long-term debt	<u>\$5,837,303</u>	<u>\$7,238,560</u>

The Company had an irrevocable letter of credit totaling \$200,000 at December 31, 1995, which was being maintained as security for certain vendor obligations. Such letter of credit reduced the Company's maximum borrowings under the line of credit.

Maturities of long-term debt are as follows for the years ending December 31:

1997	\$3,947,875
1998	1,446,240
1999	1,554,438
2000	2,836,625
Total	<u>\$9,785,178</u>

Thrifty Call, Inc.

Notes to Financial Statements (continued)

5. Commitments

The Company leases various property under operating leases. Lease expense under these leases for the years ended December 31, 1996 and 1995 was \$367,191 and \$339,243, respectively. Future minimum annual lease payments as of December 31, 1996 are as follows:

<u>Year ending</u>	<u>Operating Leases</u>
1997	\$200,000
1998	200,000
1999	202,500
2000	202,500
2001	205,000
Total minimum lease payments	<u>\$1,010,000</u>

Subsequent to December 31, 1996, the Company entered into a lease for certain switch equipment with payment obligations totaling approximately \$1.6 million over four years.

6. Income Taxes

The stockholders elected to have the Company treated as an S Corporation under the Internal Revenue Code. Accordingly, the Company does not pay federal corporate tax on its income. The Company's stockholders include their pro rata share of the Company's taxable income in their individual income tax returns. It is the intent of the Company to pay dividends to its stockholders in amounts that are at least sufficient to cover the tax effect that results from the Company's taxable income being included in the stockholders' individual income tax returns.

Thrifty Call, Inc.

Notes to Financial Statements (continued)

6. Income Taxes (continued)

The Company is subject to state income taxes in certain states which do not recognize S Corporation status, as well as a franchise tax in Texas which is based on income. The Company accounts for such state income taxes using the liability method in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under this method, deferred tax assets and liabilities are determined based upon differences between financial reporting and tax basis of assets and liabilities. At December 31, 1996 and 1995, deferred taxes result primarily from differences between the book basis and tax basis of accounts receivable, installation costs and accounts payable.

For purposes of the Michigan Single Business Tax, the Company had a business loss carryforward of approximately \$485,000 at December 31, 1995. The Company has fully utilized all state net operating loss carryforwards as of December 31, 1996.

7. Settlement Agreement

Pursuant to a March 1994 settlement agreement with an unrelated long-distance carrier, the Company received \$129,528 and \$376,488 in payments in 1996 and 1995, respectively, which were recorded as other income.

8. Related Party Transactions

During 1995, the Company purchased certain equipment and related services for \$265,000 from a corporation in which a shareholder has an ownership interest.

EXHIBIT D

Managerial Qualifications

Statement of Managerial Fitness

Golden Harbor of Florida, Inc., d/b/a Hometown Telephone, Inc., is managerially qualified to provide resold competitive local exchange service in Florida. Applicants Officers and Directors are:

Harold E. Lovelady -- Director, President, Assistant Secretary
401 Carlson Circle
San Marcos, Texas 78666

Sally A. Batz -- Director, Secretary
6881 S.E. North Marina Way
Stuart, Florida 34996

Bernice Rainosek -- Vice President, Assistant Secretary
401 Carlson Circle
San Marcos, Texas 78666

Jerry L. James -- General Manager
401 Carlson Circle
San Marcos, Texas 78666

Golden Harbor's management team has considerable experience in marketing, network operations, financial analysis/accounting, customer service, training, sales, regulatory, and other relevant areas. Golden Harbor's officers and senior managers have a combined managerial experience of well over 200 years. As the resumes of Golden Harbor's key personnel reflect, these individuals have substantial experience in running major telecommunications operations. Golden Harbor's officers and senior managers have worked with such industry giants as MCI, GTE, Sprint, LDDS WorldComm, and Southwestern Bell, among others. Each member of Golden Harbor's management team will draw upon his or her own experience, as well as the collective experience of the entire management team, to ensure that Golden Harbor is managed and operated efficiently and profitably.

Founder and President, Harold Lovelady, was honored in 1995 and 1996 as one of three finalists for the Austin area "Entrepreneur of the Year" Award sponsored by *Inc.* magazine. This award recognizes entrepreneurs who have demonstrated excellence and extraordinary success in such areas as innovation, financial performance and personal commitment to their businesses and communities. His involvement in the telecommunications industry began more than fifteen years ago. Financial analysis, technical knowledge, and a clear understanding of regulations that govern the telephone industry are a few of the skills he has utilized to direct the success of the Company.

In 1985, Mr. Lovelady was instrumental in creating a long distance service (San Marcos Long Distance, Inc.) that garnered 75% of its long distance calling market within six months. Prior to forming the Company in 1992, he served as consultant to a variety of telecommunication companies such as MCI, GTE, Sprint, Qwest Microwave and Collins Transmission Systems (a division of Rockwell International).

Bernice Rainosek, Co-Founder and Executive Vice President, has 22 years of telephony experience, with 18 of those years in the regulated and non-regulated areas of a local telephone company. She was active in the development, implementation, and management of many new successful long distance services for San Marcos Long Distance, Inc., including Operator Services and Dedicated Access. As a resident of San Marcos for 30 years and a strong advocate of economic development for the community, Ms. Rainosek was instrumental in the decision to base the Company's headquarters in San Marcos.

The management team is directed by Jerry L. James, the Company's General Manager. Beginning his telecommunications career with Southwestern Bell almost thirty years ago, Mr. James has held many key management positions. Prior to joining the Company he served as Vice President of Governmental Affairs for LDDS-WorldCom, one of the nation's largest long distance companies. He was instrumental in the formation and management of private line, data, and video networks for THENET (Texas Higher Education Network). A primary focus of Mr. James' experience includes designing, constructing and managing national switching networks, along with microwave and fiber bypass systems. He was instrumental in implementing the first distance learning and tele-medicine programs for the state of Texas.

As a Vice President of Governmental Affairs for LDDS-WorldCom, Mr. James represented that company as its lobbyist and expert witness on regulatory issues in 17 states and Washington, D.C. As a result, Mr. James was highly involved in the negotiations that resulted in the final drafts of the Texas and federal telecommunications legislation in 1995 and 1996. Mr. James, with the cooperation of others, was instrumental in successfully amending Texas HB 2128 with two amendments favorable to his company's business plans. HB 2128 completely rewrote the regulations governing the telephone industry in Texas. He continues to work with state and national organizations and elected officials in on-going efforts to implement new rules for the telecommunications industry.

Martha Smiley provides consulting services to the Company. Ms. Smiley joined the firm of Bickerstaff Heath & Smiley, L.L.P. as a name partner in 1981 and built the firm's extensive telecommunications practice. During her 15 years with the firm, she represented clients in the telecommunications industry, helping them to develop their business strategies and assisting them before regulatory and legislative forums. Her clients included Mr. Lovelady's companies and other entrepreneurial telecommunications start-up companies, Time Warner, Texas Cable TV Association, Texas Daily Newspaper Association, Texas Press Association, Cox Newspapers, Texas Association of Long Distance Companies and numerous other interests. Ms. Smiley is recognized throughout the state as one of the most knowledgeable regulatory and policy lawyer/analysts in the telecommunications industry. Ms. Smiley is a prominent civic leader. Currently, she is Vice Chairman and a member of the Board of Regents of the University of Texas System.

In October, 1995 Ms. Smiley withdrew from her law firm in order to focus her efforts on the Lovelady business interests. Pursuant to her consulting contract, she provides strategic planning, advice and counsel concerning legislative, regulatory and market implications for the Company.

The Company's Network Operations Department is lead by Neal Parker who has 19 years of experience in the industry. Mr. Parker began his career in the United States Air Force as an electronics communications and cryptographic equipment systems technician. He is knowledgeable in all phases of data and voice encrypted communications equipment installation and repair. Mr. Parker worked for several other long distance companies as technical manager of operations and has supervised the day-to-day operations of nationwide network switching centers. He also has experience in the construction and operation of a 200-mile fiber optic network and 7-site 6/Ghz digital microwave system. Mr. Parker previously managed local telephone service operations for Central Bell, including critical operations for police and fire systems.

The Company's Provisioning and Planning Department is managed by Gary Gibbs. Mr. Gary Gibbs' 22-year career in the industry started with Mission Control during the Skylab program. He worked for Southwestern Bell and Occidental Petroleum, and served Houston Network as technical manager of network operations and network planning.

Alan Rainosek manages the Information Management Department and the daily data processing operations associated with network switching, provisioning and planning, customer service, accounting, marketing and billing. Mr. Rainosek is knowledgeable of information systems needed to support local service. He developed the Company proprietary customer service software and migrated the toll rating system from HP 9000 system to a PC based environment which dramatically increased the Company's efficiency. Mr. Rainosek's expertise has been instrumental in the Company's rapid growth. Because telecommunications is an extremely data-intensive industry, the Company is fortunate to have a staff with 25 years of

experience in the local exchange industry and 44 years of combined telecommunications programming experience.

The Customer Service and Marketing group is directed by Carletta Morris. Ms. Morris has more than 25 years of multi-faceted advertising experience, including print, broadcast and video. Her talent in creating and designing marketing programs for new services from concept-to-implementation has been utilized by long distance companies, institutions, utilities, retail establishments and manufacturers.

Mike Rainosek leads the Internet group and is responsible for Product Development. Mr. Rainosek has a degree in finance and has been in the telecommunications industry for over three years. He developed the contractual and functional arrangements for a Tier 2 company to start their casual call market program. Mr. Rainosek managed the construction of Thrifty Call's headquarters at 401 Carlson Circle.

The Company's General Counsel, Ann Benolken, has more than 10 years of legal experience in the telecommunications industry. She has represented private and public telecommunications companies in a variety of domestic and international business transactions, including acquisitions, loan transactions, mergers, and securities and franchise offerings. Ms. Benolken began her legal career with a large Denver, Colorado firm representing several of the world's largest cable television companies. Subsequently, while a partner of Bickerstaff, Heath & Smiley, L.L.P. in Austin, Texas, she represented several telecommunications companies, including the Company.

Controller Larry Kovar, a Certified Public Accountant, has been with the Company since November 1994. Mr. Kovar draws upon 20 years of experience in the public and private accounting sectors. Prior to joining the Company, he served as Chief Financial Officer and Corporate Controller for a software development company and two real estate syndication and property management firms. He also served as Vice President of Finance for a telecommunications company. Mr. Kovar's experience includes seven years as a senior consultant and auditor for a "Big 6" accounting firm.

The Director of Business Development, Mike Bickley, has 23 years experience in the industry with extensive sales experience. He previously held the position of Director of Account Management for a Tier 2 carrier. During his tenure there, Mr. Bickley increased sales by 150%. Mr. Bickley currently is head of the Company's marketing efforts to provide network services for other switchless reseller companies via our 1+ Resale program.

The Company's Human Relations Department is managed by Gary McBryde. His 15 years of experience ranges from development of vocational services to directing the organizational development of 250 employees. Mr. McBryde has been instrumental in recruiting the Company's current staff.

EXHIBIT E

Technical Qualifications

Statement of Technical Fitness

Golden Harbor of Florida, Inc., d/b/a Hometown Telephone, Inc., is technically qualified to resell local exchange services in Florida. Applicant's parent company, Thrifty Call, Inc., successfully provides long distance telecommunications services to residential and business customers in 16 states, including Florida. Golden Harbor will obtain telecommunications services and network facilities from facilities-based carriers operating in Florida to provide the proposed resold competitive local exchange service. Golden Harbor will maintain its own switch in the State.

Golden Harbor employs an outstanding team of engineers and network specialists. Collectively, its senior technical managers have designed, managed, and/or operated advanced telecommunications facilities in the United States. Exhibit D describes the technical competence of Golden Harbor's personnel in greater detail.

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange service in the State of Florida. I have read the foregoing and declare that to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083".

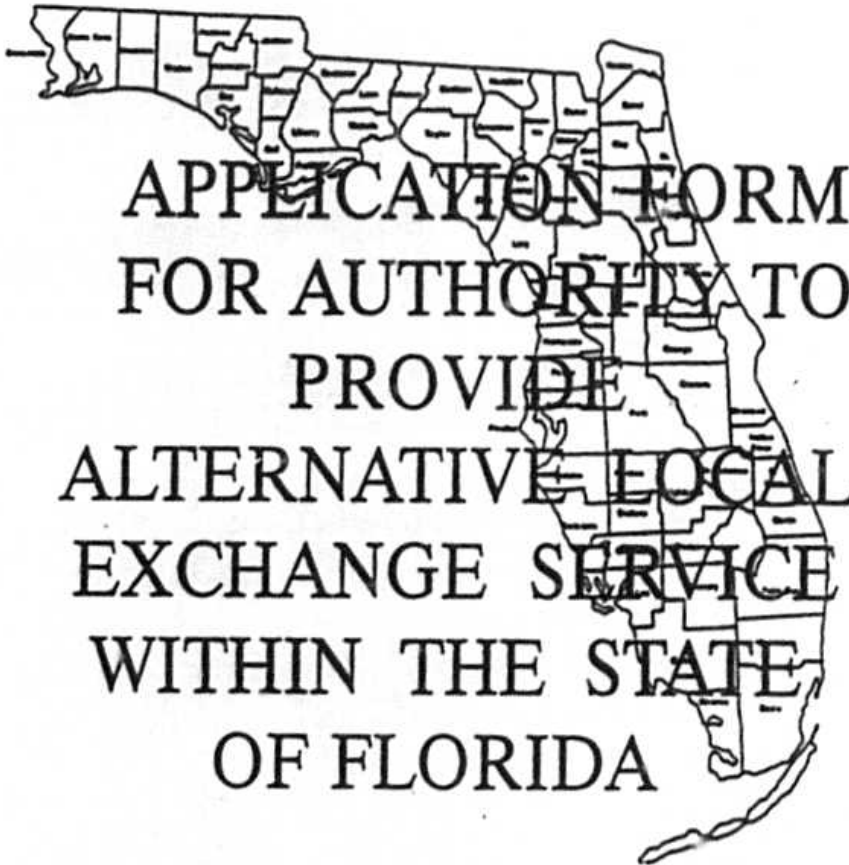
Official: Harold E. Lovelady, Jr. 5/23/97
Signature Date

Title: Devin [Signature] 6225
Vice President 512-392-6225
Telephone Number

Address: 401 Carlson Circle
San Marcos, TX 78666

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KELLEY DRYE & WARREN LLP
1200 19TH STREET, N.W.
WASHINGTON, DC 20036

June 9, 1997

PAY TO THE ORDER OF The Florida Public Service Commission

\$ 250.00

Two Hundred and Fifty-----00/100-----DOLLARS

MEMO Filing Fee 63153.1

David L. Varner
