



6315 Seabrook Road, Seabrook, Maryland 20706
phone: 301-459-7590, fax: 301-577-5575
internet: www.jsitel.com, e-mail: jsitel@jsitel.com

July 30, 1999

VIA OVERNIGHT DELIVERY

Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

991033-TI

To Whom It May Concern:

The enclosed Application for Authority to Provide Interexchange Telecommunications Service Between Points Within the State of Florida is submitted on behalf of AL-CALL, INC. In accordance with Florida Public Service Commission requirements, the original and six (6) copies are provided as well as the application fee of \$250.00.

Supporting documents include independent audited financial statements for 1995, 1996, 1997 (1998 audited financial statements are not yet available), and a summary of the applicant's financial, management and technical capabilities. The AL-CALL, INC. Florida Intrastate Tariff is also enclosed.

Should you have any questions, please do not hesitate to call me at 301-459-7590.

Sincerely,

John Becci
Senior Consultant-Regulatory Affairs

On behalf of

Theodore Solomon
President
AL-CALL, INC.

Enclosures

cc: Greg Davis, AL-CALL, INC.

SEARCHED
SERIALIZED
INDEXED
FILED
AUG 1 1999
FBI - TAMPA

DOCUMENT NUMBER - DATE
09237 AUG -4 99
FBI - TAMPA

Echelon Building II, Suite 200
9430 Research Boulevard, Austin, Texas 78759
phone: 512-338-0473, fax: 512-346-0822

Egandale Corporate Center, Suite 310
1380 Corporate Center Curve, Eagan, Minnesota 55121
phone: 651-452-2660, fax: 651-452-1909

5360 Skidaway Drive
Alpharetta, Georgia 30022
phone: 770-569-2105, fax: 770-410-1608



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Should you have any questions, please do not hesitate to call me at 301-459-7590.

Sincerely,

John Becci
Senior Consultant-Regulatory Affairs

On behalf of

Theodore Solomon
President
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Enclosures

cc: Greg Davis, AL-CALL, INC.

1. This is an application for $\sqrt{\quad}$ (check one):

Original certificate (new company).

991033-TI

Approval of transfer of existing certificate:

Example, a certificated company purchases an existing certificated company and desires to retain the authority of both certificates.

Approval of assignment of existing certificate:

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 of transfer of control:

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

2. Name of company:

AL-CALL, INC.

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

AL-CALL, INC.

4. Official mailing address (including street name & number, post office box, city, state, zip code):

101 Mercer Street

P.O. Box 2027

Alma, GA 31510

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

Florida Registered Agent: CT Corporation System

1200 South Pine Island Road, Plantation, Florida 33324

6. Select type of business your company will be conducting \checkmark (check all that apply):

- Facilities-based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.
- Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.
- Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.
- Switchless Rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.
- Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers, then offers resold service by enrolling unaffiliated customers.
- Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

7. 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"/> Other _____ | |

8. **If individual**, provide:

Name: _____ N/A
Title: _____ N/A
Address: _____ N/A
City/State/Zip: _____ N/A
Telephone No.: _____ N/A Fax No.: _____ N/A
Internet E-Mail Address: _____ N/A
Internet Website Address: _____ N/A

9. **If incorporated in Florida**, provide proof of authority to operate in Florida:

(a) **The Florida Secretary of State Corporate Registration number:**
_____ N/A

10. **If foreign corporation**, provide proof of authority to operate in Florida:

(a) **The Florida Secretary of State Corporate Registration number:**
_____ F99000003450

11. **If using fictitious name-d/b/a**, provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:

(a) **The Florida Secretary of State fictitious name registration number:** _____ N/A

12. **If a limited liability partnership**, provide proof of registration to operate in Florida:

(a) **The Florida Secretary of State registration number:** _____ N/A

13. **If a partnership**, provide name, title and address of all partners and a copy of the partnership agreement.

Name: _____ N/A

Title: _____ N/A

Address: _____ N/A

City/State/Zip: N/A

Telephone No.: N/A Fax No.: N/A

Internet E-Mail Address: N/A

Internet Website Address: N/A

14. **If a foreign limited partnership**, provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

(a) The Florida registration number: N/A

15. Provide **F.E.I. Number** (if applicable): 58-1671372

16. Provide the following (if applicable):

(a) Will the name of your company appear on the bill for your services?
 Yes No

(b) If not, who will bill for your services?

Name: N/A

Title: N/A

Address: N/A

City/State/Zip: N/A

Telephone No.: N/A Fax No.: N/A

(c) How is this information provided?

 N/A

17. Who will receive the bills for your service?

Residential Customers

Business Customers

PATs providers

PATs station end-users

Hotels & motels

Hotel & motel guests

Universities Universities dormitory residents
() Other: (specify) _____

18. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: Theodore Solomon

Title: President

Address: 101 Mercer Street

City/State/Zip: Alma, GA 31510

Telephone No.: 912-632-8603 **Fax No.:** 912-632-2588

Internet E-Mail Address: tsolomon@almatel.com

Internet Website Address: www.almatel.com

(b) Official point of contact for the ongoing operations of the company:

Name: Theodore Solomon

Title: President

Address: 101 Mercer Street

City/State/Zip: Alma, GA 31510

Telephone No.: 912-632-8603 **Fax No.:** 912-632-2588

Internet E-Mail Address: tsolomon@almatel.com

Internet Website Address: www.almatel.com

(c) Complaints/Inquiries from customers:

Name: Theodore Solomon

Title: President

Address: 101 Mercer Street
City/State/Zip: Alma, GA 31510
Telephone No.: (912) 632-8603 **Fax No.:** (912) 632-2588
Internet E-Mail Address: tsolomon@almatel.com
Internet Website Address: www.almatel.com

19. List the states in which the applicant:

(a) has operated as an interexchange telecommunications company.

Georgia

(b) has applications pending to be certificated as an interexchange telecommunications company.

(c) is certificated to operate as an interexchange telecommunications company.

Georgia

(d) has been denied authority to operate as an interexchange telecommunications company and the circumstances involved.

N/A

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

N/A

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

N/A

20. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) 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.

N/A

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

N/A

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

a. _____ **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

b. _____ **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

c. X **MTS with statewide flat rates per minute (i.e. not distance sensitive)**

- Method of access is FGA
- Method of access is FGB
- Method of access is FGD
- Method of access is 800

d. X **MTS for pay telephone service providers**

e. X **Block-of-time calling plan (Reach Out Florida, Ring America, etc.).**

f. X **800 service (toll free)**

g. X **WATS type service (bulk or volume discount)**

- Method of access is via dedicated facilities
- Method of access is via switched facilities

h. _____ **Private line services (Channel Services)**
(For ex. 1.544 mbs., DS-3, etc.)

i. X **Travel service**

- Method of access is 950
- Method of access is 800

j. _____ **900 service**

k. _____ **Operator services**

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

I. **Services included are:**

- _____ Station assistance
- _____ Person-to-person assistance
- _____ Directory assistance
- _____ Operator verify and interrupt
- _____ Conference calling

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

23. Submit the following:

A. **Financial capability.**

The application **should contain** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer affirming that the financial statements are true and correct and should include:

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

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.*

Further, the following (which includes supporting documentation) should be provided:

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

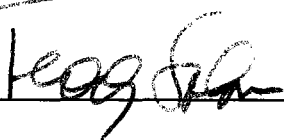
B. Managerial capability; give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

C. Technical capability; give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.

**** 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:** I understand that a non-refundable application fee of \$250.00 must be submitted with the application.

UTILITY OFFICIAL:

Theodore Solomon		7-29-99
Signature		Date
President		912-632-8603
Title		Telephone No.
Address: 101 Mercer Street		912-632-2588
Alma, GA 31510		Fax No.

ATTACHMENTS:

- A - CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT
- B - CUSTOMER DEPOSITS AND ADVANCE PAYMENTS
- C - CURRENT FLORIDA INTRASTATE NETWORK
- D - AFFIDAVIT
 - FLORIDA TELEPHONE EXCHANGES AND EAS ROUTES
 - GLOSSARY

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

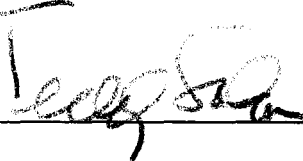
A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be provided in one of the following ways (applicant, please \checkmark check one):

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

- () The applicant intends to collect deposits and/or advance payments for more than one month's service and will file and maintain a surety bond with the Commission in an amount equal to the current balance of deposits and advance payments in excess of one month.
(The bond must accompany the application.)

UTILITY OFFICIAL:

Theodore Solomon
Signature



7-27-99
Date

President
Title

912-632-8603
Telephone No.

Address: 101 Mercer Street

912-632-2588

Alma, GA 31510

Fax No.

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?

N/A

b) If the services are not currently offered, when were they discontinued?

N/A

UTILITY OFFICIAL:

Theodore Solomon

Signature

President

Title

Address:

101 Mercer Street

Alma, GA 31510

Date

912-632-8603

Telephone No.

912-632-2588

Fax No.

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 company 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."

UTILITY OFFICIAL:

Signature	<u>Theodore Solomon</u> <i>Theodore Solomon</i>	Date	<u>7-29-71</u>
Title	<u>President</u>	Telephone No.	<u>912-632-8603</u>
Address:	<u>101 Mercer Street</u>		<u>912-632-2588</u>
	<u>Alma, GA 31510</u>	Fax No.	

AL-CALL, INC.

FINANCIAL, MANAGERIAL AND TECHNICAL QUALIFICATIONS

AL-CALL, INC. shares the financial, managerial and technical resources of its parent company, Alma Telephone Company.

Alma Telephone Company has been serving in the telecommunications industry since 1940. Alma Telephone Company audited financial statements for the last three audited years are included in this application. Alma Telephone Company has experienced no recurring operating losses, working capital deficiencies, or negative cash flows from operating activities. As the parent company of AL-CALL, INC., Alma Telephone Company will ensure that AL-CALL, INC. continues as a going concern for a reasonable period of time.


Manager Qualifications

Theodore Solomon, is President of AL-CALL, INC. He was an attorney for 20 years and is now actively involved in managing the communications business.

Greg Davis is Vice President of AL-CALL, INC. He has direct responsibility for the prepaid and resell line of business. Mr. Davis is a professional electrical engineer. Before working for AL-CALL, INC. he was Chief Engineer of Hargray Telephone Company for 7 years. Prior to that he was a consulting engineer in communications with Engineering Associates.

The foregoing demonstrates that AL-CALL, INC. has sufficient financial, managerial and technical capability to provide and maintain the requested service.

State of Florida



Department of State

I certify from the records of this office that AL-CALL, INC., is a corporation organized under the laws of Georgia, authorized to transact business in the State of Florida, qualified on June 23, 1999.

The document number of this corporation is F99000003450.

I further certify that said corporation has paid all fees due this office through December 31, 1999, and its status is active.

I further certify that said corporation has not filed a Certificate of Withdrawal.

Given under my hand and the
Great Seal of the State of Florida
at Tallahassee, the Capitol, this the
Second day of July, 1999



CR2EO22 (1-99)

Katherine Harris
Katherine Harris
Secretary of State

**ALMA TELEPHONE COMPANY, INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996
AND
INDEPENDENT AUDITOR'S REPORT**

ALMA TELEPHONE COMPANY, INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

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D.M. Vickers & Assoc., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

420 BROAD STREET

P.O. BOX 239

HAWKINSVILLE, GEORGIA 31036

(912) 783-4091

DON M. VICKERS, CPA (1931-1989)

LARRY E. GARRETT, CPA

R. LARRY SUMNER, CPA

DENNIS M. VICKERS, CPA

C. LEE WEST JR., CPA,

Telecopier
(912) 783-2430

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
of Alma Telephone Company, Inc.

We have audited the accompanying consolidated balance sheets of Alma Telephone Company, Inc. as of December 31, 1997 and 1996, and the related consolidated statements of income, retained earnings, 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 audit.

We conducted our audits in accordance with generally accepted auditing standards and the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 Alma Telephone Company, Inc. as of December 31, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated February 13, 1998, on our consideration of Alma Telephone Company, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

D.M. Vickers & Associates, P.C.

February 13, 1998

LIABILITIES AND STOCKHOLDER'S EQUITY

	<u>1997</u>	<u>1996</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 206,043	\$ 54,397
Other accounts payable (Note 2)	75,636	204,569
Advance billings and payments	215,100	172,980
Customer deposits	96,683	89,606
Current maturities of long-term debt (Note 3)	196,841	206,931
Accrued taxes (Note 2)	32,344	168,558
Other current liabilities (Note 2)	<u>195,043</u>	<u>181,884</u>
Total current liabilities	<u>1,017,690</u>	<u>1,078,925</u>
LONG-TERM DEBT:		
RUS mortgage notes, less current portion (Note 3)	3,506,952	3,754,715
Other long-term debt, less current portion (Note 3)	<u>1,616,663</u>	<u>1,578,810</u>
Total long-term debt	<u>5,123,615</u>	<u>5,333,525</u>
DEFERRED CREDITS:		
Deferred investment tax credits	415,615	468,864
Deferred income taxes (Notes 2 and 4)	850,571	745,491
Other deferred credits (Note 4)	<u>281,417</u>	<u>313,347</u>
Total deferred credits	<u>1,547,603</u>	<u>1,527,702</u>
STOCKHOLDER'S EQUITY:		
Common stock - no par value, 100,000 shares authorized, 24,000 shares issued and outstanding	126,240	126,240
Retained earnings	<u>5,994,052</u>	<u>5,432,941</u>
Total stockholder's equity	<u>6,120,292</u>	<u>5,559,181</u>
Total liabilities and stockholder's equity	<u>\$13,809,200</u>	<u>\$13,499,333</u>

The notes are an integral part of these financial statements.

ALIA TELEPHONE COMPANY, INC.
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

REGULATED OPERATIONS

	<u>1997</u>	<u>1996</u>
OPERATING REVENUES:		
Basic local network services	\$1,452,022	\$1,174,508
Network access services	3,986,194	3,406,084
Long distance network services	8,648	9,936
Miscellaneous	372,556	386,163
Uncollectible revenues	<u>(22,190)</u>	<u>(18,393)</u>
Total operating revenues	<u>5,797,230</u>	<u>4,958,298</u>
OPERATING EXPENSES:		
Plant specific operations	612,743	547,066
Plant nonspecific operations	124,720	116,948
Depreciation and amortization	1,372,826	1,536,743
Customer operations	293,798	300,306
Corporate operations	<u>1,682,166</u>	<u>1,422,727</u>
Total operating expenses	<u>4,086,253</u>	<u>3,923,790</u>
OPERATING TAXES:		
Provision for income taxes (Notes 2 and 4)	456,806	385,911
Provision for deferred tax expense (benefit) (Notes 2 and 4)	45,832	(180,822)
Investment tax credit amortization	(36,041)	(36,298)
Other operating taxes	<u>146,438</u>	<u>160,594</u>
Total operating taxes	<u>613,035</u>	<u>329,385</u>
OPERATING INCOME	<u>1,097,942</u>	<u>705,123</u>
OTHER INCOME (EXPENSE):		
Interest and dividend income	72,534	45,965
Other nonoperating income (expense)	(12,026)	(19,745)
Nonoperating taxes (Note 2)	<u>(12,019)</u>	<u>44,017</u>
Total other income (expense)	<u>48,489</u>	<u>70,237</u>
FIXED CHARGES:		
Interest on long-term debt	344,294	360,901
Interest other	<u>6,792</u>	<u>6,314</u>
Total fixed charges	<u>351,086</u>	<u>367,215</u>
REGULATED NET INCOME	795,345	408,145
NONREGULATED NET INCOME (EXPENSE) (Note 2)	<u>105,397</u>	<u>94,175</u>
NET INCOME BEFORE EXTRAORDINARY ITEM	900,742	502,320
EXTRAORDINARY ITEM - (Penalty on early extinguishment of debt, net of income tax benefit of \$21,746) (Note 3)	<u>(33,084)</u>	<u>- - -</u>
NET INCOME	867,658	502,320
RETAINED EARNINGS - beginning	5,432,941	5,105,621
DIVIDENDS	<u>(306,547)</u>	<u>(175,000)</u>
RETAINED EARNINGS - ending	<u>\$5,994,052</u>	<u>\$5,432,941</u>

The notes are an integral part of these financial statements.

ALMA TELEPHONE COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 867,658	\$ 502,320
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	1,473,632	1,388,086
Amortization of extraordinary retirement	- - -	224,741
Deferred income taxes	75,461	(165,328)
Miscellaneous noncash income (expense)	929	928
Amortization of investment tax credits	(36,041)	(36,298)
Investment tax credit applied	- - -	32,315
Loss on disposal of property, plant, and equipment	19,416	11,857
Income on investment in partnership	(175,533)	(385,158)
Change in trading securities	(172,603)	(5,657)
Change in accounts receivable	(206,261)	(122,363)
Change in inventories	1,541	65,269
Change in prepaid expenses	(49,426)	2,251
Change in other current assets	(242)	(9,475)
Change in accounts payable	22,714	7,337
Change in customer advance payment	49,197	60,853
Change in accrued taxes	(153,422)	72,444
Change in other current liabilities	13,159	29,428
Change in deferred interest income	- - -	(90)
Net cash provided (used) by operating activities	<u>1,730,179</u>	<u>1,673,460</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of property	110,546	103,995
Distributions from investment in partnership	126,787	137,109
Proceeds from temporary cash investments	225,000	- - -
Purchase of property, plant, and equipment	(757,954)	(1,165,629)
Plant removal cost	(4,961)	(109)
Purchase of certificates of deposit	(730,000)	(225,000)
Investment in partnership	(10,000)	- - -
Investments in PCS	<u>(324,129)</u>	<u>(93,111)</u>
Net cash provided (used) by investing activities	<u>(1,364,711)</u>	<u>(1,242,745)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	\$ 1,665,263	\$ - - -
Repayment of long-term debt	(1,885,263)	(197,407)
Dividends paid	<u>(306,549)</u>	<u>(175,000)</u>
Net cash provided (used) by financing activities	<u>(526,549)</u>	<u>(372,407)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(161,081)	58,308
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,050,343</u>	<u>992,035</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 889,262</u>	<u>\$1,050,343</u>
SUPPLEMENTAL DISCLOSURES:		
Operating activities reflect the following cash payments:		
Interest	<u>\$ 350,891</u>	<u>\$ 366,782</u>
Income taxes	<u>\$ 804,690</u>	<u>\$ 69,376</u>
Noncash investing and financing activities -		
Account receivable acquired for sale of fixed assets	<u>\$ 25,700</u>	<u>\$ - - -</u>

The notes are an integral part of these financial statements.

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REGULATION - Alma Telephone Company, Inc. (the Company) is subject to regulation by the Georgia Public Service Commission (GPSC) and the Federal Communications Commission (FCC). Among other things, the Company must receive prior approval from the GPSC for long-term debt commitments.

On October 16, 1996, the Company filed a Notice of Election of Alternative Regulation with the GPSC as provided for in section 2 of the Telecommunications and Competition Development Act of 1995 (the Act) (O.C.G.A. section 56-5-160, et seq.). In accordance with the Act, the effective date of the Company's election for alternative regulation was December 1, 1996. On the date the Company elected alternative regulation, all existing rates, terms, and conditions for the services provided by the Company were deemed just and reasonable. Rates for basic local exchange services for residential and single line business customers in effect on the date of election are the maximum rates the Company may charge for basic local exchange services for a period of five years. The Company may set rates for all other local exchange services on a basis that does not unreasonably discriminate between similarly situated customers. After five years, basic local exchange services rates may be adjusted to an inflation based cap. As a result of this election, the Company is no longer subject to rate of return regulation and the Company is no longer required to seek regulatory approval of depreciation rates or schedules.

BASIS OF PRESENTATION - Alma Telephone Company, Inc. is a wholly owned subsidiary of Alma Telecom, Inc. (ATI), a holding company. ATI also owns Al-Data, Inc. The consolidated financial statements include the accounts of Alma Telephone Company, Inc. and its wholly owned subsidiary Alma Cellular, Inc. All material intercompany accounts and transactions have been eliminated in consolidation.

As a regulated utility, the Company is required to utilize the Uniform System of Accounts (USOA) prescribed by the FCC. The USOA (Part 32) is a financial-based accounting system designed to conform more closely with generally accepted accounting principles. Part 32 requires a large portion of indirectly related construction costs to be expensed instead of capitalized.

NATURE OF OPERATIONS - The Company provides local telephone service to individuals and businesses within the boundaries of its local service area. The Company's primary sources of revenue are access charges received from long-distance carriers for the switching of long-distance telephone calls and billing and collection fees paid by these long-distance carriers. Other nonregulated income is derived by providing internet service and investment in a cellular partnership which provides cellular telephone service throughout middle and south Georgia. The Company also received nonregulated income from renting and selling video equipment; however, during 1996, the Company sold all of its videos and video equipment.

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 period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS - For the purpose of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

TEMPORARY CASH INVESTMENTS - Temporary cash investments consist of certificates of deposit with original maturities greater than three months.

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

TRADING SECURITIES - The Company accounts for trading securities under the provision of Statement of Financial Accounting Standards (SFAS) 115, "Accounting for Certain Investments in Debt and Equity Securities."

Trading securities are securities that are bought and held principally for the purpose of selling them in the near term. These securities generally reflect active and frequent buying and selling, and trading securities are generally used with the objective of generating profits on short-term differences in prices. For December 31, 1997 and 1996, net unrealized gains (losses) of \$258 and \$(1,945), respectively, were recorded in the consolidated statements of income. During 1997, the Company disposed of securities at a sales price of \$151,035. A loss of \$25,320 was realized on this disposal.

MATERIALS AND SUPPLIES - Materials and supplies are stated at cost or market, whichever is lower. Cost is determined substantially by the weighted moving average method of inventory valuation.

Materials and supplies nonregulated consists of merchandise held for resale and is stated at the lower of cost or market. Cost is determined on the first-in, first-out basis.

INVESTMENTS - AFFILIATED COMPANIES - Investments - affiliated companies consist of investments, owned by Alma Cellular, Inc., in Georgia Independent RSA 7 and 10 Cellular Partnership (Partnership) and investments, owned by the Company, in the Georgia Independent Teleco Group, LLC (GITG) and 2 PCS corporations. The investment in the Partnership is carried at the net book value of Alma Cellular, Inc.'s percentage of the partnership interest plus any excess paid to buy out other partners' interest. During 1997, the Company invested \$10,000 in GITG. This investment is carried at cost.

The Company's investment in PCS corporations consist of 998 shares of Class B common stock in the Savannah Independent PCS Corporation and 499 shares of Class B common stock in the Georgia Independent PCS Corporation. These corporations bought licenses for the construction of new personal communication service business within the State of Georgia. The new personal communication service business is currently under construction but is not in operation as of the year ended December 31, 1997. During 1997 and 1996, the Company made cash calls of \$324,129 and \$93,111, respectively. The investment in PCS at December 31, 1997 and 1996 was \$528,020 and \$203,891, respectively.

INVESTMENTS - NONAFFILIATED COMPANIES - Investments - nonaffiliated companies consist of stock in the Rural Telephone Bank and are carried at cost.

INVESTMENTS - NONREGULATED - Investments - nonregulated consist of investments in customer owned coin operated (COCOT) phones. This investment is carried at cost of \$34,351, less accumulated depreciation of \$33,066 at December 31, 1997.

PROPERTY, PLANT, AND EQUIPMENT - Property, plant, and equipment is carried at cost which includes the capitalization of certain construction related expenses and interest during construction.

The Company follows the requirements of FCC Docket No. 93-50 concerning allowance for funds used during construction (AFUDC). Docket No. 93-50 provides for the cost of financing the construction of telecommunications plant to be capitalized on all construction. Prior to the issuance of Docket No. 93-50, interest was capitalized only on projects lasting in excess of twelve months. There was no interest capitalized during 1997 or 1996.

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Depreciation is provided for under the straight-line method for accounting purposes and generally under accelerated methods for federal income tax purposes (see income taxes). When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its original cost, together with the cost of removal less salvage, is charged to accumulated depreciation.

The cost of maintenance, repairs, and replacements of minor items of property are charged to maintenance expense accounts. The cost of replacements of property, exclusive of minor items of property, are charged to the utility plant accounts.

During 1996, the Company retired equipment with a cost of \$614,181 and related accumulated depreciation of \$389,440. The Company received approval from the GPSC to record an extraordinary retirement of \$224,741 and to amortize this retirement over a one year period beginning January 1, 1996. Amortization expense of \$224,741 has been recorded in the accompanying financial statements for the year ended December 31, 1996.

INCOME TAXES - Current provisions for income taxes are based on amounts reported in the statements of income (after exclusion of nontaxable income such as interest on state and municipal securities). Deferred taxes are provided in accordance with Statement of Financial Accounting Standards (SFAS) 109, "Accounting for Income Taxes." Deferred taxes are provided for accumulated temporary differences due to basis differences for assets and liabilities for financial reporting and income tax purposes, including alternative minimum taxes. The Company's temporary differences are due primarily to accelerated depreciation, regulatory deferred tax assets and liabilities, partnership investments, unamortized investment tax credits, marketable securities, accrued sick leave and alternative minimum tax credit carryforward.

In accordance with the provisions of SFAS 109, the Company and its subsidiary recognize deferred tax assets and liabilities for future tax consequences of events that have been previously recognized in the Company and its subsidiary's financial statements or tax returns. The measurement of deferred tax assets and liabilities is based on provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Adoption of SFAS 109 by the Company required the recording of additional deferred income tax assets or liabilities related primarily to temporary differences previously flowed through under rate-making policy and income tax rate changes. To record SFAS 109 in accordance with SFAS 71, "Accounting for the Effects of Certain Types of Regulation," a corresponding regulatory asset or liability equal to the future revenue impact of these additional deferred tax items has been recorded as an offset to these additional deferred tax assets or liabilities. These regulatory assets or liabilities are also considered to be temporary differences for which deferred tax assets or liabilities are recognized.

The Company's tax returns are filed as part of a consolidated income tax return of its parent company, Alma Telecom, Inc. (ATI). As a subsidiary company, the Company computes its income tax expense and that of its subsidiary, Alma Cellular, Inc. (ACI), as if individual corporate tax returns were filed. The computed income tax expense is paid to ATI who in turn remits the consolidated income tax liability to the federal and state governments.

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

Investment credits generated are recognized as a reduction of income tax expense over the productive lives of the related acquired properties. For income tax purposes, investment tax credits used to reduce income taxes payable for the years ended December 31, 1997 and 1996, amounted to \$- - - and \$32,315, respectively. The Company has no unused investment tax credits at December 31, 1997. For financial reporting purposes, investment tax credits are amortized over the remaining useful life of the related assets that generated the credit which is assumed to be twenty years. At December 31, 1997 and 1996, the Company had available \$415,615 and \$468,864, respectively, of unamortized investment tax credits for financial reporting purposes.

Alternative minimum tax credits are generated whenever a corporation's tentative minimum tax exceeds its regular tax for federal income tax purposes during any given tax year. These credits may be carried forward indefinitely to reduce a corporation's future federal tax liability to the amount computed for tentative minimum tax whenever the regular income tax exceeds the tentative minimum tax. At December 31, 1997 and 1996, the Company had available alternative minimum tax credits of \$- - - and \$90,427, respectively.

NONREGULATED OPERATIONS - During 1996, the Company disposed of all of its video equipment and inventory for a total sales price of \$1,210. A loss of \$83,865 was recognized on these disposals in the accompanying financial statements.

PENSION PLAN - The Company has a combination mandatory and voluntary pension plan which covers substantially all of its employees. Pension costs include current service costs, which are accrued and funded on a current basis, and prior costs which are amortized over ten years. Pension expenses charged to operations in 1997 and 1996 were \$50,868 and \$47,051, respectively. The plan is a part of a multiple employer plan with National Telephone Cooperative Association (NTCA). The total of NTCA's plan assets available to meet all plan benefits at December 31, 1996, was \$663,221,484. The amount at December 31, 1997, was unavailable as of the date of this report. The plan contains an interest equivalent of eight (8%) percent in determining present value which discounts future payments for interest and mortality.

The Company makes annual contributions to the plan equal to the amount accrued for pension expense.

The actuarial present value of vested and nonvested accumulated plan benefits is not available. The plan is not required to report such information with certain governmental agencies pursuant to the Employee Retirement Income Security Act of 1974 (ERISA).

The Company has adopted the Money Purchase Segment of the Savings Plan sponsored by the National Telephone Cooperative Association. This plan consists of a 401(k) profit sharing plan and a savings plan. Under the 401(k) plan, the Company contributes annually 6% of each eligible employee's salary. Each employee may elect to contribute annually up to 16.3% of his salary as a salary reduction contribution. He also may elect to contribute annually 10% of his salary to the savings plan as a post-tax contribution. This plan covers substantially all of the Company's employees. The Company's total contribution to this plan during 1997 and 1996, was \$95,535 and \$91,181, respectively.

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

REVENUE RECOGNITION - Since the divestiture in 1982 by AT&T of the Bell operating companies, revenue recognition by local telephone companies has been subject to adjustments in later years. These adjustments arise due to the use of estimates for monthly revenue recognition. Several months later, when actual data is available, the estimates are adjusted to actual amounts. Revenues reported by Alma Telephone Company, Inc. represent management's best estimate of revenue earned; however, adjustments may occur in the future. Since the revenue recognition process is based on estimates, subsequent adjustments are treated as a change in an estimate and the effects are recorded in the income statement of the subsequent period.

2. ADDITIONAL FINANCIAL INFORMATION:

The following sets forth components of certain financial statement amounts:

	<u>1997</u>	<u>1996</u>
Other accounts receivable:		
Returned checks	\$ 1,236	\$ 2,578
Accounts receivable - nonregulated	65,630	891
Long-distance carriers	291,178	238,466
Due from officers and employees	25,735	11,381
Due from affiliated companies	341,079	164,522
Fiber ring access	<u>14,838</u>	<u>41,016</u>
Total other accounts receivable	<u>\$ 739,696</u>	<u>\$ 458,854</u>
Prepayments:		
Prepaid insurance	\$ 2,693	\$ 5,899
Prepaid income taxes	46,279	- - -
Prepaid postage	<u>6,353</u>	<u>- - -</u>
Total prepayments	<u>\$ 55,325</u>	<u>\$ 5,899</u>
Deferred income taxes:		
Federal deferred income taxes	\$ 48,048	\$ 47,785
State deferred income taxes	<u>7,999</u>	<u>7,955</u>
Total deferred income taxes	<u>\$ 56,047</u>	<u>\$ 55,740</u>
Other current assets -		
Accrued interest receivable	<u>\$ 9,717</u>	<u>\$ 9,475</u>
Investments - affiliated companies:		
Partnership	\$1,278,059	\$1,229,313
Savannah Independent PCS Corporation	267,420	93,300
Georgia Independent PCS Corporation	260,600	110,591
GITG	<u>10,000</u>	<u>- - -</u>
Total investments - affiliated companies	<u>\$1,816,079</u>	<u>\$1,433,204</u>
Other noncurrent assets -		
Deferred charges	<u>\$ 17,500</u>	<u>\$ 18,429</u>

ALMA TELEPHONE COMPANY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

2. ADDITIONAL FINANCIAL INFORMATION: (continued)

	<u>Depreciation Rates</u>	<u>1997</u>	<u>1996</u>
Regulated plant in service:			
Land	N/A	\$ 111,734	\$ 111,734
Motor vehicles	12.50%	732,061	857,328
Other work equipment	11.00%	116,556	20,840
Buildings	4.50%	905,866	868,537
Furniture	10.00%	123,937	115,445
Office equipment	12.50%	72,430	72,430
Official telephone equipment	12.50%	48,877	46,699
General purpose computers	18.00%	290,749	254,116
Central office equipment:			
Digital equipment	9.00%	1,876,708	1,907,397
Paging equipment	9.00%	22,288	22,288
Trunk carrier	14.00%	448,534	382,387
Subscriber carrier	14.00%	216,349	216,349
Line concentrators	9.00%	936,992	886,251
Station apparatus	12.50%	250,014	250,014
Paystations	12.50%	-	32,717
Poles	15.00%	42,490	42,490
Aerial cable	16.00%	78,218	78,218
Underground cable	4.50%	64,277	64,277
Buried cable - fiber	5.20%	1,265,354	1,265,354
Buried cable	7.90%	9,517,396	9,363,897
Aerial wire	20.00%	49,362	49,362
Underground conduit	2.50%	15,513	15,513
Organization	N/A	1,207	1,207
		<u>\$17,186,912</u>	<u>\$16,924,850</u>
Total regulated plant in service			
Other accounts payable:			
Payroll and other taxes collected		\$ 19,864	\$ 33,138
Long-distance carriers		27,525	39,524
Affiliated companies		28,247	131,907
		<u>\$ 75,636</u>	<u>\$ 204,569</u>
Total other accounts payable			
Accrued taxes:			
Accrued federal income taxes		\$ - - -	\$ 93,862
Accrued franchise taxes		25,776	21,865
Accrued state income taxes		-	47,471
Other accrued taxes		6,568	5,360
		<u>\$ 32,344</u>	<u>\$ 168,558</u>
Total accrued taxes			
Other current liabilities:			
Accrued interest		\$ 34,999	\$ 35,194
Accrued payroll		38,036	20,880
Accrued sick leave		105,343	100,388
Accrued potential overearnings		15,920	12,680
Other miscellaneous current liabilities		745	12,742
		<u>\$ 195,043</u>	<u>\$ 181,884</u>
Total other current liabilities			
Deferred income taxes:			
Federal deferred income taxes		\$ 700,727	\$ 588,795
State deferred income taxes		149,844	156,696
		<u>\$ 850,571</u>	<u>\$ 745,491</u>
Total deferred income taxes			

ALMA TELEPHONE COMPANY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

2. ADDITIONAL FINANCIAL INFORMATION: (continued)

	<u>1997</u>	<u>1996</u>
Operating provision for income taxes:		
Federal income taxes	\$ 378,469	\$ 333,333
State income taxes	<u>78,337</u>	<u>52,578</u>
Total operating provision for income taxes	<u>\$ 456,806</u>	<u>\$ 385,911</u>
Operating provision for deferred taxes:		
Federal deferred income taxes (benefit)	\$ 32,555	\$(159,007)
State deferred income taxes (benefit)	<u>(8,469)</u>	<u>(21,815)</u>
Total operating provision for deferred taxes	<u>\$ 24,086</u>	<u>\$(180,822)</u>
Nonoperating taxes:		
Federal income taxes	\$ (11,506)	\$ 39,329
State income taxes	<u>(513)</u>	<u>4,688</u>
Total nonoperating taxes	<u>\$ (12,019)</u>	<u>\$ 44,017</u>
Nonregulated income (expense):		
Installation and maintenance revenue	\$ 31,965	\$ 23,750
Lease revenue	195,479	205,571
Voice mail revenue	16,864	-
Inside wiring revenue	82,467	79,946
Telephone sales	77,448	53,718
Video revenue	-	57,708
Video sales	-	13,244
Internet revenue	341,194	71,897
COCOT collections	8,975	-
Other sales	10,007	17,625
Interest and dividend income	1,647	8,345
Miscellaneous rental income	4,200	3,500
Income on investment in partnership	175,533	385,158
Interstate billing and collections - net loss	(25,791)	(1,063)
Installation and maintenance expense	(72,013)	(68,977)
Telephone expense	(133,203)	(270,938)
Video expense	-	(90,799)
Pager expense	(17,518)	(10,558)
Internet expense	(360,700)	(131,428)
COCOT expense	(17,662)	-
Depreciation and amortization	(100,832)	(99,852)
Meals and entertainment	(752)	(674)
Miscellaneous expense	(1,129)	(2,509)
Deferred federal income taxes	(50,067)	(13,167)
Deferred state income taxes	(1,308)	(2,327)
Federal income taxes	(30,906)	(39,049)
State income taxes	(9,861)	(11,081)
Loss on sale of assets	<u>(18,640)</u>	<u>(83,865)</u>
Total nonregulated income (expense)	<u>\$ 105,397</u>	<u>\$ 94,175</u>

ALMA TELEPHONE COMPANY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

3. LONG-TERM DEBT:

Long-term debt consisted of the following at December 31, 1997 and 1996:

	<u>1997</u>	<u>1996</u>
Rural Utilities Service (RUS) - Mortgage notes due in quarterly payments plus interest at 2% to 5% per annum. Notes mature from 1997 to 2018. Quarterly payments approximate \$90,799, including interest.	\$3,655,093	\$3,927,373.
Rural Telephone Finance Cooperative (RTFC) - Mortgage note due in quarterly payments plus interest at variable interest rates. Note matures 2012. Quarterly payments approximate \$43,653, including interest.	1,665,363	- - -
Rural Telephone Bank (RTB) - Mortgage notes due in quarterly payments plus interest at 8% to 10.5% per annum to 2008. Quarterly payments approximate \$48,430, including interest.	- - -	<u>1,613,083</u>
Total	<u>5,320,456</u>	<u>5,540,456</u>
Less current portion	<u>196,841</u>	<u>206,931</u>
Long-term portion	<u>\$5,123,615</u>	<u>\$5,333,525</u>

Mortgage agreements, as amended, provide, among other things, for various restrictions on the payment of dividends. Allowable distributions for 1997 and 1996 amounted to \$964,709 and \$1,303,189, respectively, calculated by the regular method and \$1,411,948 and \$1,851,558, respectively, calculated by the alternative method. Substantially all assets have been pledged as collateral on the first mortgage notes to the RUS and the RTFC.

During 1997, the Company borrowed \$1,665,363 from the RTFC. These funds were used to repay all outstanding notes to the RTB. As a part of this repayment, the Company was required to pay a penalty of \$54,830 for early extinguishment of debt which has been included as an extraordinary item in the accompanying financial statements.

As of December 31, 1997 and 1996, there were no unadvanced loan funds.

Maturities of long-term debt are as follows:

1998	\$ 196,841
1999	227,003
2000	240,968
2001	254,892
2002	269,598
2003-2018	4,131,154

ALMA TELEPHONE COMPANY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

4. INCOME TAXES:

The components of income tax expense (benefit) are:

	<u>1997</u>	<u>1996</u>
Currently payable:		
Federal income tax	\$ 420,881	\$ 333,053
State income tax	<u>88,711</u>	<u>58,971</u>
Net current expense	<u>\$ 509,592</u>	<u>\$ 392,024</u>
Deferred tax expense (benefit) arising from:		
Depreciation	\$ (47,214)	\$ (160,117)
Investments in cellular partnership	9,156	16,285
Marketable securities	9,939	(771)
Accrued sick leave	(1,966)	(1,641)
Alternative minimum tax credit carryforward	133,091	(19,770)
Amortization of excess deferred tax	1,478	1,478
Capital loss carryover	(8,282)	-
Other	<u>(20,741)</u>	<u>(792)</u>
Net deferred tax expense	<u>\$ 75,461</u>	<u>\$ (165,328)</u>

Deferred tax assets/liabilities consist of the following at December 31:

Deferred Tax Assets

Marketable securities	\$ 608	\$ 10,547
Accrued sick leave	41,780	39,814
Unamortized investment tax credit	141,309	159,414
Alternative minimum tax credit carryforward	35,395	168,486
Regulatory deferred credit	86,993	96,884
Capital loss carryover	13,661	5,379
Early extinguishment of debt penalty	20,297	-
State tax effect	<u>48,271</u>	<u>50,623</u>
Gross deferred tax assets	<u>\$ 388,314</u>	<u>\$ 531,147</u>

Deferred Tax Liabilities

Depreciation	\$1,071,172	\$1,118,386
Investments in cellular partnership	<u>111,668</u>	<u>102,512</u>
Gross deferred tax liabilities	<u>\$1,182,840</u>	<u>\$1,220,898</u>

Deferred tax regulatory assets/liabilities consist of the following at December 31:

Deferred Tax Regulatory Asset

Excess deferred income tax for change in tax rates	\$ 23,565	\$ 26,183
Total deferred tax regulatory asset	<u>\$ 23,565</u>	<u>\$ 26,183</u>

Deferred Tax Regulatory Liability

Deficiency in deferred tax	\$ 2,390	\$ 2,655
Investment tax credit	214,105	241,536
State tax effect on federal deferred income taxes	<u>64,922</u>	<u>69,156</u>
Total deferred tax regulatory liability	<u>\$ 281,417</u>	<u>\$ 313,347</u>

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

5. RELATED PARTY TRANSACTIONS:

Alma Cellular, Inc. is a wholly owned subsidiary of Alma Telephone Company, Inc. Alma Telephone Company, Inc. invested \$- - - and \$30,967 in Alma Cellular, Inc. in 1997 and 1996, respectively. Alma Cellular, Inc. owns a 20% interest in a partnership for cellular service to RSA 7 and 10.

The Company's President also controls Dixie Cable T. V. Company. The Company performed services for Dixie Cable T. V. Company at or above cost which amounted to \$141,968 and \$103,469 in 1997 and 1996, respectively.

The Company leases 2.96 acres of land and an antenna tower from Dixie Cable T. V. Company. The lease is classified as an operating lease and provides for minimum rentals of \$700 per month.

The Patterson central office equipment is located on land rented under an informal rental agreement with the Company's President. The rental expense for the use of this land for the years ending December 31, 1997 and 1996, amounted to \$- - - and \$1,300, respectively.

During 1997, the Company sold several vehicles to related parties. At December 31, 1997, a related party owed the Company \$25,700 from the purchase of one of the vehicles. This amount was repaid by the related party subsequent to December 31, 1997.

6. CONCENTRATION OF CREDIT RISK:

The Company maintains balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Amounts not insured by FDIC insurance at December 31, 1997 and 1996, amounted to approximately \$855,731 and \$586,957, respectively.

7. OTHER MATTERS:

Certain items in the 1996 financial statements have been reclassified to conform with current year presentation.

8. COMMITMENTS AND CONTINGENCIES:

As discussed in Note 1, the Company has invested in the Savannah Independent PCS Corporation and the Georgia Independent PCS Corporation. As an investor in these corporations, the Company is obligated to make future equity contributions totaling \$893,860 at December 31, 1997. The Company has also agreed to guarantee \$1,076,216 of notes payable on behalf of these corporations.

9. SUBSEQUENT EVENTS:

On February 24, 1998, the Company's subsidiary, Alma Cellular, Inc., signed an agreement to sell its entire interest in the Georgia Independent RSA 7 and 10 Cellular Partnership.

SUPPLEMENTAL INFORMATION

D.M. Vickers & Assoc., P.C.

DON M. VICKERS, CPA (1931-1989)

LARRY E. GARRETT, CPA

R. LARRY SUMNER, CPA

DENNIS M. VICKERS, CPA

C. LEE WEST JR., CPA,

CERTIFIED PUBLIC ACCOUNTANTS

420 BROAD STREET

P.O. BOX 239

HAWKINSVILLE, GEORGIA 31036

(912) 783-4091

Telecopier
(912) 783-2430

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL INFORMATION**

To the Board of Directors and Stockholders
of Alma Telephone Company, Inc.

Our report on our audits of the consolidated financial statements of Alma Telephone Company, Inc. for 1997 and 1996 appears on page one. Those audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

D.M. Vickers & Associates, P.C.

February 13, 1998

ALMA TELEPHONE COMPANY, INC.
 SUPPLEMENTAL INFORMATION
 ALMA CELLULAR, INC.
 BALANCE SHEETS
 DECEMBER 31, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash - general funds	\$ 1,398	\$ 66,063
Temporary cash investments	60,000	225,000
Trading securities	169,042	-
Intercompany receivable	5,432	5,432
Accounts receivable-affiliate	-	10,993
Other current assets	<u>1,208</u>	<u>4,862</u>
Total current assets	<u>237,080</u>	<u>312,350</u>
NONCURRENT ASSETS -		
Investment in cellular partnership	<u>1,278,059</u>	<u>1,229,313</u>
Total noncurrent assets	<u>1,278,059</u>	<u>1,229,313</u>
Total assets	<u>\$1,515,139</u>	<u>\$1,541,663</u>
<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>		
CURRENT LIABILITIES:		
Other accounts payable	\$ - - -	\$ 131,907
Accrued income taxes	<u>70,391</u>	<u>132,019</u>
Total current liabilities	<u>70,391</u>	<u>263,926</u>
DEFERRED CREDITS -		
Deferred income taxes	<u>70,849</u>	<u>19,474</u>
Total deferred credits	<u>70,849</u>	<u>19,474</u>
STOCKHOLDER'S EQUITY:		
Common stock - \$100 par value, 100,000 shares authorized, 10 shares issued and outstanding	1,000	1,000
Additional paid-in-capital	759,843	759,843
Retained earnings	<u>613,056</u>	<u>497,420</u>
Total stockholder's equity	<u>1,373,899</u>	<u>1,258,263</u>
Total liabilities and stockholder's equity	<u>\$1,515,139</u>	<u>\$1,541,663</u>

See auditor's report on supplemental information.

ALMA TELEPHONE COMPANY, INC.
 SUPPLEMENTAL INFORMATION
 ALMA CELLULAR, INC.
 STATEMENTS OF INCOME AND RETAINED EARNINGS
 FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
INCOME:		
Income on investment in cellular partnership	\$175,533	\$385,158
Interest income	11,222	8,255
Dividend income	1,647	- - -
Other income	<u>7,896</u>	<u>- - -</u>
 Total income	 <u>196,298</u>	 <u>393,413</u>
EXPENSES -		
Other cellular expenses	<u>1,050</u>	<u>2,509</u>
 Total expenses	 <u>1,050</u>	 <u>2,509</u>
INCOME BEFORE INCOME TAX PROVISION	195,248	390,904
INCOME TAX PROVISION	<u>79,612</u>	<u>147,513</u>
NET INCOME	115,636	243,391
RETAINED EARNINGS - beginning	<u>497,420</u>	<u>254,029</u>
RETAINED EARNINGS - ending	<u>\$613,056</u>	<u>\$497,420</u>

See auditor's report on supplemental information.

ALMA TELEPHONE COMPANY, INC.
 SUPPLEMENTAL INFORMATION
 ALMA CELLULAR, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 115,636	\$ 243,391
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Deferred income taxes	51,375	15,494
Unrealized gain on trading securities	(7,120)	- - -
Income on investment in partnership	(175,533)	(385,158)
Change in accounts receivable	10,991	5,790
Change in interest receivable	3,656	(4,862)
Change in accrued taxes	(61,628)	112
Change in accounts payable	<u>(131,907)</u>	<u>131,907</u>
Net cash provided (used) by operating activities	<u>(194,530)</u>	<u>6,674</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Distributions from investment in partnership	126,787	137,109
Proceeds from maturities of certificates of deposit	225,000	- - -
Purchase of trading securities	(161,922)	- - -
Purchase of certificates of deposit	<u>(60,000)</u>	<u>(225,000)</u>
Net cash provided (used) by investing activities	<u>129,865</u>	<u>(87,891)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(64,665)	(81,217)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>66,063</u>	<u>147,280</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,398</u>	<u>\$ 66,063</u>
SUPPLEMENTAL DISCLOSURES -		
Operating activities reflect the following cash payments -		
Income taxes	<u>\$ 221,773</u>	<u>\$ 131,907</u>

See auditor's report on supplemental information.

ALMA TELEPHONE COMPANY, INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995
AND
INDEPENDENT AUDITOR'S REPORT

ALMA TELEPHONE COMPANY, INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

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D.M. Vickers & Assoc., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

420 BROAD STREET

P.O. BOX 239

HAWKINSVILLE, GEORGIA 31036

(912) 783-4091

Telecopier
(912) 783-2430

DON M. VICKERS, CPA (1931-1989)

LARRY E. GARRETT, CPA

R. LARRY SUMNER, CPA

DENNIS M. VICKERS, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
of Alma Telephone Company, Inc.

We have audited the accompanying consolidated balance sheets of Alma Telephone Company, Inc. as of December 31, 1996 and 1995, and the related consolidated statements of income, retained earnings, 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 audit.

We conducted our audits in accordance with generally accepted auditing standards and the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 Alma Telephone Company, Inc. as of 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.

In accordance with Government Auditing Standards, we have also issued a report dated February 7, 1997, on our consideration of Alma Telephone Company's internal control structure and a report dated February 7, 1997, on its compliance with laws and regulations.

D.M. Vickers & Associates, P.C.

February 7, 1997

LIABILITIES AND STOCKHOLDER'S EQUITY

	<u>1996</u>	<u>1995</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 54,396	\$ 245,204
Other accounts payable (Note 2)	204,569	6,424
Advance billings and payments	172,980	118,501
Customer deposits	89,606	83,232
Current maturities of long-term debt (Note 3)	206,931	196,447
Accrued taxes (Note 2)	168,558	96,114
Other current liabilities (Note 2)	<u>181,884</u>	<u>152,456</u>
Total current liabilities	<u>1,078,924</u>	<u>898,378</u>
LONG-TERM DEBT:		
RUS mortgage notes, less current portion (Note 3)	3,754,715	3,928,388
Other long-term debt, less current portion (Note 3)	<u>1,578,810</u>	<u>1,613,028</u>
Total long-term debt	<u>5,333,525</u>	<u>5,541,416</u>
DEFERRED CREDITS:		
Deferred investment tax credits	468,864	472,847
Deferred income taxes (Notes 2 and 5)	745,491	897,598
Deferred interest income	-	90
Other deferred credits (Note 5)	<u>313,347</u>	<u>326,773</u>
Total deferred credits	<u>1,527,702</u>	<u>1,697,308</u>
STOCKHOLDER'S EQUITY:		
Common stock - no par value, 100,000 shares authorized, 24,000 shares issued and outstanding	126,240	126,240
Retained earnings	<u>5,432,941</u>	<u>5,105,621</u>
Total stockholder's equity	<u>5,559,181</u>	<u>5,231,861</u>
Total liabilities and stockholder's equity	<u>\$13,499,333</u>	<u>\$13,368,963</u>

The notes are an integral part of these financial statements.

ALMA TELEPHONE COMPANY, INC.
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

REGULATED OPERATIONS

	<u>1996</u>	<u>1995</u>
OPERATING REVENUES:		
Basic local network services	\$1,174,508	\$ 955,858
Network access services	3,406,084	3,341,786
Long distance network services	9,936	(505)
Miscellaneous	386,163	421,882
Uncollectible revenues	<u>(18,393)</u>	<u>(22,333)</u>
Total operating revenues	<u>4,958,298</u>	<u>4,696,688</u>
OPERATING EXPENSES:		
Plant specific operations	547,066	519,409
Plant nonspecific operations	116,948	145,399
Depreciation and amortization	1,536,743	1,238,250
Customer operations	300,306	276,757
Corporate operations	<u>1,422,727</u>	<u>1,329,271</u>
Total operating expenses	<u>3,923,790</u>	<u>3,509,086</u>
OPERATING TAXES:		
Provision for income taxes (Notes 2 and 5)	385,911	222,721
Provision for deferred tax expense (benefit) (Notes 2 and 5)	(180,822)	31,716
Investment tax credit amortization	(36,298)	(14,476)
Other operating taxes	<u>160,594</u>	<u>144,218</u>
Total operating taxes	<u>329,385</u>	<u>384,179</u>
OPERATING INCOME	<u>705,123</u>	<u>803,423</u>
OTHER INCOME (EXPENSE):		
Interest and dividend income	45,965	62,566
Other nonoperating income (expense)	(19,745)	17,603
Nonoperating taxes (Note 2)	<u>44,017</u>	<u>(30,548)</u>
Total other income (expense)	<u>70,237</u>	<u>49,621</u>
FIXED CHARGES:		
Interest on long-term debt	360,901	370,878
Interest other	<u>6,314</u>	<u>4,164</u>
Total fixed charges	<u>367,215</u>	<u>375,042</u>
REGULATED NET INCOME	408,145	478,002
NONREGULATED NET INCOME (EXPENSE) (Note 2)	<u>94,175</u>	<u>177,382</u>
NET INCOME	502,320	655,384
RETAINED EARNINGS - beginning	5,105,621	4,872,566
DIVIDENDS	<u>(175,000)</u>	<u>(422,329)</u>
RETAINED EARNINGS - ending	<u>\$5,432,941</u>	<u>\$5,105,621</u>

The notes are an integral part of these financial statements.

ALMA TELEPHONE COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 502,320	\$ 655,384
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,388,086	1,293,920
Amortization of extraordinary retirement	224,741	13,250
Deferred income taxes	(165,328)	31,716
Miscellaneous noncash income (expense)	928	929
Amortization of investment tax credits	(36,298)	(14,476)
Investment tax credit applied	32,315	19,711
Loss on disposal of marketable securities	- - -	13,560
Unrealized (gain) loss on trading securities	1,945	(44,688)
Loss on disposal of property, plant, and equipment	11,857	- - -
Income on investment in partnership	(385,158)	(350,084)
Change in accounts receivable	(122,363)	146,281
Change in inventories	65,269	207,448
Change in prepaid expenses	2,251	(1,778)
Change in other current assets	(9,475)	3,798
Change in accounts payable	7,337	(292,983)
Change in customer advance payment	60,853	10,586
Change in accrued taxes	72,444	(130,632)
Change in other current liabilities	29,428	(46,216)
Change in deferred interest income	(90)	- - -
Change in deferred credits	- - -	(147,210)
Net cash provided (used) by operating activities	<u>1,681,062</u>	<u>1,368,516</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of property	103,995	4,791
Distributions from investment in partnership	137,109	123,127
Proceeds from temporary cash investments	- - -	151,591
Proceeds from disposal of securities	- - -	209,028
Purchase of property, plant, and equipment	(1,165,629)	(1,826,392)
Plant removal cost	(109)	(1,578)
Purchase of certificates of deposit	(225,000)	- - -
Purchase of marketable securities	(7,602)	(14,369)
Investments in PCS	(93,111)	(110,780)
Net cash provided (used) by investing activities	<u>(1,250,347)</u>	<u>(1,464,582)</u>

The notes are an integral part of these financial statements.

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REGULATION - Alma Telephone Company, Inc. (the Company) is subject to regulation by the Georgia Public Service Commission (GPSC) and the Federal Communications Commission (FCC). Among other things, the Company must receive prior approval from the GPSC for increases in rates and long-term debt commitments. As disclosed in Note 4, the Company had pending before the GPSC final resolution of Commission Docket No. 3681-U concerning the regulatory effects of the Tax Reform Act of 1986. In administrative session September 5, 1995, the GPSC voted to relieve the Company of any obligation under the Docket.

BASIS OF PRESENTATION - Alma Telephone Company, Inc. is a wholly owned subsidiary of Alma Telecom, Inc. (ATI), a holding company. ATI also owns Al-Data, Inc. The consolidated financial statements include the accounts of Alma Telephone Company, Inc. and its wholly owned subsidiary Alma Cellular, Inc. All material intercompany accounts and transactions have been eliminated in consolidation.

As a regulated utility, the Company is required to utilize the Uniform System of Accounts (USOA) prescribed by the FCC. The USOA (Part 32) is a financial-based accounting system designed to conform more closely with generally accepted accounting principles. Part 32 requires a large portion of indirectly related construction costs to be expensed instead of capitalized.

NATURE OF OPERATIONS - The Company provides local telephone service to individuals and businesses within the boundaries of its local service area. The Company's primary sources of revenue are access charges received from long-distance carriers for the switching of long-distance telephone calls and billing and collection fees paid by these long-distance carriers. Other nonregulated income is derived by providing internet service and investment in a cellular partnership which provides cellular telephone service throughout middle and south Georgia. The Company also received nonregulated income from renting and selling video equipment; however, during 1996, the Company sold all of its videos and video equipment.

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 period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS - For the purpose of the statement of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

TEMPORARY CASH INVESTMENTS - Temporary cash investments consist of certificates of deposit with original maturities greater than three months.

TRADING SECURITIES - The Company accounts for trading securities under the provision of Statement of Financial Accounting Standards (SFAS) 115, "Accounting for Certain Investments in Debt and Equity Securities."

Trading securities are securities that are bought and held principally for the purpose of selling them in the near term. These securities generally reflect active and frequent buying and selling, and trading securities are generally used with the objective of generating profits on short-term differences in prices. For December 31, 1996 and 1995, net unrealized gains (losses) of \$(1,945) and \$44,688, respectively, were recorded in the consolidated statements of income.

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

MATERIALS AND SUPPLIES - Materials and supplies are stated at cost or market, whichever is lower. Cost is determined substantially by the weighted moving average method of inventory valuation.

Merchandise held for resale is stated at the lower of cost or market. Cost is determined on the first-in, first-out basis.

INVESTMENTS - Investments consist of stock in the Rural Telephone Bank and are carried at cost.

INVESTMENTS - NONREGULATED - Investments - nonregulated consist of investments, owned by Alma Cellular, Inc., in Georgia Independent RSA 7 and 10 Cellular Partnership. Investments - nonregulated are carried at net book value of Alma Cellular, Inc.'s percentage of the partnership interest plus any excess paid to buy out other partners' interest.

INVESTMENTS IN PCS - During 1995, the Company purchased 998 shares of Class B common stock in the Savannah Independent PCS Corporation and 499 shares of Class B common stock in the Georgia Independent PCS Corporation. This corporation bought licenses for the construction of new personal communication service business within the State of Georgia. The new personal communication service business is currently under construction but is not in operation as of the year ended December 31, 1996. During 1996, the Company made cash calls of \$93,111. The investment in PCS at December 31, 1996 and 1995 was \$203,891 and \$110,780, respectively.

PROPERTY, PLANT, AND EQUIPMENT - Property, plant, and equipment is carried at cost which includes the capitalization of certain construction related expenses and interest during construction.

Effective September 6, 1995, the Company must apply the requirements of FCC Docket No. 93-50 concerning allowance for funds used during construction (AFUDC). Docket No. 93-50 provides for the cost of financing the construction of telecommunications plant to be capitalized on all construction. Prior to the issuance of Docket No. 93-50, interest was capitalized only on projects lasting in excess of twelve months.

Depreciation is provided for under the straight-line method for accounting purposes and generally under accelerated methods for federal income tax purposes (see income taxes). When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its original cost, together with the cost of removal less salvage, is charged to accumulated depreciation. Depreciation is limited to rates approved by the GPSC. See Note 2 for summary of approved rates.

The cost of maintenance, repairs and replacements of minor items of property are charged to maintenance expense accounts. The cost of replacements of property, exclusive of minor items of property, are charged to the utility plant accounts.

During 1996, the Company retired equipment with a cost of \$614,181 and related accumulated depreciation of \$389,440. The Company received approval from the GPSC to record an extraordinary retirement of \$224,741 and to amortize this retirement over a one year period beginning January 1, 1996. Amortization expense of \$224,741 has been recorded in the accompanying financial statements for the year ended December 31, 1996.

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

INCOME TAXES - Current provisions for income taxes are based on amounts reported in the statements of income (after exclusion of nontaxable income such as interest on state and municipal securities). Deferred taxes are provided in accordance with Statement of Financial Accounting Standards (SFAS) 109, "Accounting for Income Taxes." Deferred taxes are provided for accumulated temporary differences due to basis differences for assets and liabilities for financial reporting and income tax purposes, including alternative minimum taxes. The Company's temporary differences are due primarily to accelerated depreciation, regulatory deferred tax assets and liabilities, partnership investments, unamortized investment tax credits, marketable securities, accrued sick leave and alternative minimum tax credit carryforward.

In accordance with the provisions of SFAS 109, the Company and its subsidiary recognize deferred tax assets and liabilities for future tax consequences of events that have been previously recognized in the Company and its subsidiary's financial statements or tax returns. The measurement of deferred tax assets and liabilities is based on provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Adoption of SFAS 109 by the Company required the recording of additional deferred income tax assets or liabilities related primarily to temporary differences previously flowed through under rate-making policy and income tax rate changes. To record SFAS 109 in accordance with SFAS 71, "Accounting for the Effects of Certain Types of Regulation," a corresponding regulatory asset or liability equal to the future revenue impact of these additional deferred tax items has been recorded as an offset to these additional deferred tax assets or liabilities. These regulatory assets or liabilities are also considered to be temporary differences for which deferred tax assets or liabilities are recognized.

The Company's tax return is filed as part of a consolidated income tax return of its parent company, Alma Telecom, Inc. (ATI). As a subsidiary company, the Company computes its income tax expense and that of its subsidiary, Alma Cellular, Inc. (ACI), as if individual corporate tax returns were filed. The computed income tax expense is paid to ATI who in turn remits the consolidated income tax liability to the federal and state governments.

Investment credits generated are recognized as a reduction of income tax expense over the productive lives of the related acquired properties. For income tax purposes, investment tax credits used to reduce income taxes payable for the years ended December 31, 1996 and 1995, amounted to \$32,315 and \$19,711, respectively. The Company has no unused investment tax credits at December 31, 1996. For financial reporting purposes, investment tax credits are amortized over the remaining useful life of the related assets that generated the credit which is assumed to be twenty years. At December 31, 1996 and 1995, the Company had available \$468,864 and \$472,847, respectively, of unamortized investment tax credits for financial reporting purposes.

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Alternative minimum tax credits are generated whenever a corporation's tentative minimum tax exceeds its regular tax for federal income tax purposes during any given tax year. These credits may be carried forward indefinitely to reduce a corporation's future federal tax liability to the amount computed for tentative minimum tax whenever the regular income tax exceeds the tentative minimum tax. At December 31, 1996 and 1995, the Company had available alternative minimum tax credits of \$159,757 and \$148,716, respectively.

NONREGULATED OPERATIONS - During 1996 the Company disposed of all of its video equipment and inventory for a total sales price of \$1,210. A loss of \$83,865 was recognized on these disposals in the accompanying financial statements.

PENSION PLAN - The Company has a combination mandatory and voluntary pension plan which covers substantially all of its employees. Pension costs include current service costs, which are accrued and funded on a current basis, and prior costs which are amortized over ten years. Pension expenses charged to operations in 1996 and 1995 were \$47,051 and \$59,424, respectively. The plan is a part of a multiple employer plan with National Telephone Cooperative Association (NTCA). The total of NTCA's plan assets available to meet all plan benefits at December 31, 1995, was \$587,845. The amount at December 31, 1996, was unavailable as of the date of this report. The plan contains an interest equivalent of eight (8%) percent in determining present value which discounts future payments for interest and mortality.

The Company makes annual contributions to the plan equal to the amount accrued for pension expense.

The actuarial present value of vested and nonvested accumulated plan benefits is not available. The plan is not required to report such information with certain governmental agencies pursuant to the Employee Retirement Income Security Act of 1974 (ERISA).

The Company has adopted the Money Purchase Segment of the Savings Plan sponsored by the National Telephone Cooperative Association. This plan consists of a 401(k) profit sharing plan in which the Company contributes annually 6% of each eligible employee's salary. Each employee may elect to contribute annually up to 16.3% of his salary as a salary reduction contribution. He also may elect to contribute annually 10% of his salary as a post-tax contribution. This plan covers substantially all of the Company's employees. The Company's total contribution to this plan during 1996 and 1995, was \$91,181 and \$86,295, respectively.

REVENUE RECOGNITION - Since the divestiture in 1982 by AT&T of the Bell operating companies, revenue recognition by local telephone companies has been subject to adjustments in later years. These adjustments arise due to the use of estimates for monthly revenue recognition. Several months later, when actual data is available, the estimates are adjusted to actual amounts. Revenues reported by Alma Telephone Company, Inc. represent management's best estimate of revenue earned; however, adjustments may occur in the future. Since the revenue recognition process is based on estimates, subsequent adjustments are treated as a change in an estimate and the effects are recorded in the income statement of the subsequent period.

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

2. ADDITIONAL FINANCIAL INFORMATION:

The following sets forth components of certain financial statement amounts:

	<u>1996</u>	<u>1995</u>	
Other accounts receivable:			
Returned checks	\$ 2,578	\$ 2,110	
Accounts receivable - nonregulated	891	3,201	
Long-distance carriers	238,466	279,225	
Due from officers and employees	11,381	10,031	
Due from affiliated companies	164,522	49,716	
Fiber ring access	<u>41,016</u>	<u>43,354</u>	
Total other accounts receivable	<u>\$ 458,854</u>	<u>\$ 387,637</u>	
Prepayments:			
Prepaid insurance	\$ 5,899	\$ 5,873	
Prepaid postage	<u>- - -</u>	<u>2,277</u>	
Total prepayments	<u>\$ 5,899</u>	<u>\$ 8,150</u>	
Deferred income taxes:			
Federal deferred income taxes	\$ 47,785	\$ 45,716	
State deferred income taxes	<u>7,955</u>	<u>7,611</u>	
Total deferred income taxes	<u>\$ 55,740</u>	<u>\$ 53,327</u>	
Other current assets -			
Accrued interest receivable	<u>\$ 9,475</u>	<u>\$ - - -</u>	
Other noncurrent assets -			
Deferred charges	<u>\$ 18,429</u>	<u>\$ 19,357</u>	
	<u>Depreciation</u>		
	<u>Rates</u>		
Regulated plant in service:			
Land	N/A	\$ 111,734	\$ 111,734
Motor vehicles	12.50%	857,328	687,409
Other work equipment	11.00%	20,840	20,840
Buildings	4.50%	868,537	840,451
Furniture	10.00%	115,445	115,445
Office equipment	12.50%	72,430	72,430
Official telephone equipment	12.50%	46,699	44,186
General purpose computers	18.00%	254,116	257,606
Central office equipment:			
Digital equipment	9.00%	1,907,397	2,223,949
Paging equipment	9.00%	22,288	22,937
Trunk carrier	14.00%	382,387	257,329
Subscriber carrier	14.00%	216,349	216,349
Line concentrators	9.00%	886,251	367,050
Station apparatus	12.50%	250,014	250,014
Paystations	12.50%	32,717	32,717
Poles	15.00%	42,490	42,499
Aerial cable	16.00%	78,218	78,240
Underground cable	4.50%	64,277	64,277
Fiber cable	5.20%	1,265,354	1,259,007
Buried cable	8.00%	9,363,897	9,151,340
Aerial wire	20.00%	49,362	49,385
Underground conduit	2.50%	15,513	15,513
Organization	N/A	<u>1,207</u>	<u>1,207</u>
Total regulated plant in service		<u>\$16,924,850</u>	<u>\$16,181,914</u>

ALMA TELEPHONE COMPANY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

2. ADDITIONAL FINANCIAL INFORMATION: (continued)

	<u>1996</u>	<u>1995</u>
Other accounts payable:		
Payroll and other taxes collected	\$ 33,138	\$ 623
Long-distance carriers	39,524	5,801
Affiliated companies	<u>131,907</u>	<u>- - -</u>
Total other accounts payable	<u>\$ 204,569</u>	<u>\$ 6,424</u>
Accrued taxes:		
Accrued federal income taxes	\$ 93,862	\$ 65,173
Accrued franchise taxes	21,865	16,073
Accrued state income taxes	47,471	15,290
Other accrued taxes	<u>5,360</u>	<u>(422)</u>
Total accrued taxes	<u>\$ 168,558</u>	<u>\$ 96,114</u>
Other current liabilities:		
Accrued interest	\$ 35,194	\$ 34,762
Accrued payroll	20,880	14,486
Accrued sick leave	100,388	96,250
Accrued potential overearnings	12,680	- - -
Other miscellaneous current liabilities	<u>12,742</u>	<u>6,958</u>
Total other current liabilities	<u>\$ 181,884</u>	<u>\$ 152,456</u>
Deferred income taxes:		
Federal deferred income taxes	\$ 588,795	\$ 722,023
State deferred income taxes	<u>156,696</u>	<u>175,575</u>
Total deferred income taxes	<u>\$ 745,491</u>	<u>\$ 897,598</u>
Operating provision for income taxes:		
Federal income taxes	\$ 333,333	\$ 184,278
State income taxes	<u>52,578</u>	<u>38,443</u>
Total operating provision for income taxes	<u>\$ 385,911</u>	<u>\$ 222,721</u>
Operating provision for deferred taxes:		
Federal deferred income taxes (benefit)	\$(159,007)	\$ 31,993
State deferred income taxes (benefit)	<u>(21,815)</u>	<u>(277)</u>
Total operating provision for deferred taxes	<u>\$(180,822)</u>	<u>\$ 31,716</u>
Nonoperating taxes:		
Federal income taxes	\$ 39,329	\$ 27,042
State income taxes	<u>4,688</u>	<u>3,506</u>
Total nonoperating taxes	<u>\$ 44,017</u>	<u>\$ 30,548</u>

ALMA TELEPHONE COMPANY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

2. ADDITIONAL FINANCIAL INFORMATION: (continued)

	<u>1996</u>	<u>1995</u>
Nonregulated income (expense):		
Installation and maintenance revenue	\$ 23,750	\$ 21,541
Lease revenue	205,571	198,970
Inside wiring revenue	79,946	77,622
Telephone sales	53,718	74,215
Video revenue	57,708	106,858
Video sales	13,244	10,810
Internet revenue	71,897	- - -
Other sales	17,625	14,383
Interest income	8,345	875
Miscellaneous rental income	3,500	4,200
Income on investment in partnership	385,158	350,084
Interstate billing and collections - net loss	(1,063)	(1,059)
Installation and maintenance expense	(68,977)	(63,678)
Telephone expense	(270,938)	(260,911)
Video expense	(101,357)	(141,899)
Internet expense	(131,428)	- - -
Depreciation and amortization	(99,852)	(106,977)
Meals and entertainment	(674)	- - -
Miscellaneous expense	(2,509)	(531)
Deferred federal income taxes	(13,167)	- - -
Deferred state income taxes	(2,327)	- - -
Federal income taxes	(39,049)	(90,180)
State income taxes	(11,081)	(16,941)
Loss on sale of assets	<u>(83,865)</u>	<u>- - -</u>
Total nonregulated income (expense)	<u>\$ 94,175</u>	<u>\$ 177,382</u>

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

3. LONG-TERM DEBT:

Long-term debt consisted of the following at December 31, 1996 and 1995:

	<u>1996</u>	<u>1995</u>
Rural Utilities Service (RUS) - Mortgage notes due in quarterly payments plus interest at 2% to 5% per annum. Notes mature from 1997 to 2018. Quarterly payments approximate \$90,799, including interest.	\$3,927,373	\$4,093,541
Rural Telephone Bank (RTB) - Mortgage notes due in quarterly payments plus interest at 8% to 10.5% per annum to 2008. Quarterly payments approximate \$48,430, including interest.	<u>\$1,613,083</u>	<u>\$1,644,322</u>
Total	5,540,456	5,737,863
Less current portion	<u>206,931</u>	<u>196,447</u>
Long-term portion	<u>\$5,333,525</u>	<u>\$5,541,416</u>

Mortgage agreements, as amended, provide, among other things, for various restrictions on the payment of dividends. Allowable distributions for 1996 and 1995 amounted to \$1,303,189 and \$1,481,877, respectively, calculated by the regular method and \$1,851,558 and \$1,968,557, respectively, calculated by the alternative method. Telephone plant has been pledged as collateral on the first mortgage notes to the RUS and the RTB.

As of December 31, 1996 and 1995, there were no unadvanced loan funds. Maturities of long-term debt are as follows:

1997	\$	206,931
1998		216,957
1999		221,196
2000		219,070
2001		225,854
2002-2018		4,450,448

4. OTHER DEFERRED CREDITS:

In accordance with GPSC Docket No. 3681-U, Alma Telephone Company, Inc. deferred \$1,626 per month of local service revenues. This amount was to be accounted for upon final resolution of the Docket by the Public Service Commission. In administrative session September 5, 1995, the GPSC relieved the Company of any obligation under this Docket. The Company in turn reversed the \$146,335 of prior year accruals in 1995.

ALMA TELEPHONE COMPANY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

5. INCOME TAXES:

The components of income tax expense (benefit) are:

	<u>1996</u>	<u>1995</u>
Currently payable:		
Federal income tax	\$ 333,053	\$ 301,500
State income tax	<u>58,971</u>	<u>58,890</u>
Net current expense	<u>\$ 392,024</u>	<u>\$ 360,390</u>
Deferred tax expense (benefit) arising from:		
Depreciation	\$ (160,117)	\$ (20,554)
Investments in cellular partnership	16,285	- - -
Marketable securities	(771)	17,724
Accrued sick leave	(1,641)	(1,496)
Alternative minimum tax credit carryforward	(19,770)	39,943
Amortization of excess deferred tax	1,478	1,478
Capital loss carryover	- - -	(5,379)
Other	<u>(792)</u>	<u>- - -</u>
Net deferred tax expense	<u>\$ (165,328)</u>	<u>\$ 31,716</u>

Deferred tax assets/liabilities consist of the following at December 31:

Deferred Tax Assets

Marketable securities	\$ 10,547	\$ 9,776
Accrued sick leave	39,814	38,173
Unamortized investment tax credit	159,414	160,768
Alternative minimum tax credit carryforward	168,486	148,716
Regulatory deferred credit	96,884	100,483
Capital loss carryover	5,379	5,379
State tax effect	<u>50,623</u>	<u>57,164</u>
Gross deferred tax assets	<u>\$ 531,147</u>	<u>\$ 520,459</u>

Deferred Tax Liabilities

Depreciation	\$1,118,386	\$1,278,503
Investments in cellular partnership	<u>102,512</u>	<u>86,227</u>
Gross deferred tax liabilities	<u>\$1,220,898</u>	<u>\$1,364,730</u>

Deferred tax regulatory assets/liabilities consist of the following at December 31:

Deferred Tax Regulatory Asset

Excess deferred income tax for change in tax rates	\$ 26,183	\$ 28,801
Total deferred tax regulatory asset	<u>\$ 26,183</u>	<u>\$ 28,801</u>

Deferred Tax Regulatory Liability

Excess deferred income tax for change in tax rates	\$ 2,655	\$ 2,919
Investment tax credit	241,536	243,588
State tax effect on federal deferred income taxes	<u>69,156</u>	<u>80,266</u>
Total deferred tax regulatory liability	<u>\$ 313,347</u>	<u>\$ 326,773</u>

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

6. RELATED PARTY TRANSACTIONS:

Alma Cellular, Inc. is a wholly owned subsidiary of Alma Telephone Company, Inc. Alma Telephone Company, Inc. invested \$- - - and \$30,967 in Alma Cellular, Inc. in 1996 and 1995, respectively. Alma Cellular, Inc. owns a 20% interest in a partnership for cellular service to RSA 7 and 10.

The Company's President also controls Dixie Cable T. V. Company. The Company performed services for Dixie Cable T. V. Company at or above cost which amounted to \$103,469 and \$141,121 in 1996 and 1995, respectively.

The Company leases 2.96 acres of land and an antenna tower from Dixie Cable T. V. Company. The lease is classified as an operating lease and provides for minimum rentals of \$700 per month.

The Patterson central office equipment is located on land rented under an informal rental agreement with the Company's President. The rental expense for the use of this land for the years ending December 31, 1996 and 1995, amounted to \$1,300 and \$1,300, respectively.

The Company had a \$200,000 note receivable due from an officer. This note carried an interest rate of 6% per annum and matured December 1995. During 1995 the note, including interest, was paid in full.

7. CONCENTRATION OF CREDIT RISK:

The Company maintains balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Amounts not insured by FDIC insurance at December 31, 1996 and 1995, amounted to approximately \$586,957 and \$478,513, respectively.

8. OTHER MATTERS:

Certain items in the 1995 financial statements have been reclassified to conform with current year presentation.

D.M. Vickers & Assoc., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

420 BROAD STREET

P.O. BOX 239

HAWKINSVILLE, GEORGIA 31036

(912) 783-4091

Telecopier
(912) 783-2430

DON M. VICKERS, CPA (1931-1989)

LARRY E. GARRETT, CPA

R. LARRY SUMNER, CPA

DENNIS M. VICKERS, CPA

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL INFORMATION**

To the Board of Directors and Stockholders
of Alma Telephone Company, Inc.

Our report on our audits of the consolidated financial statements of Alma Telephone Company, Inc. for 1996 and 1995 appears on page one. Those audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

D.M. Vickers & Associates, P.C.

February 7, 1997

ALMA TELEPHONE COMPANY, INC.
 SUPPLEMENTAL INFORMATION
 ALMA CELLULAR, INC.
 BALANCE SHEETS
 DECEMBER 31, 1996 AND 1995

<u>ASSETS</u>	<u>1996</u>	<u>1995</u>
CURRENT ASSETS:		
Cash - general funds	\$ 66,063	\$ 147,280
Temporary cash investments	225,000	- - -
Intercompany receivable	5,432	5,432
Accounts receivable-affiliate	10,993	16,783
Other current assets	<u>4,862</u>	<u>- - -</u>
Total current assets	<u>312,350</u>	<u>169,495</u>
NONCURRENT ASSETS:		
Investment in cellular partnership	1,229,313	981,264
Deferred income taxes	<u>- - -</u>	<u>8,338</u>
Total noncurrent assets	<u>1,229,313</u>	<u>989,602</u>
Total assets	<u>\$1,541,663</u>	<u>\$1,159,097</u>
<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>		
CURRENT LIABILITIES:		
Other accounts payable	\$ 131,907	- - -
Accrued income taxes	<u>132,019</u>	<u>131,907</u>
Total current liabilities	<u>263,926</u>	<u>131,907</u>
DEFERRED CREDITS -		
Deferred income taxes	<u>19,474</u>	<u>12,318</u>
Total deferred credits	<u>19,474</u>	<u>12,318</u>
STOCKHOLDER'S EQUITY:		
Common stock - \$100 par value, 100,000 shares authorized, 10 shares issued and outstanding	1,000	1,000
Additional paid-in-capital	759,843	759,843
Retained earnings	<u>497,420</u>	<u>254,029</u>
Total stockholder's equity	<u>1,258,263</u>	<u>1,014,872</u>
Total liabilities and stockholder's equity	<u>\$1,541,663</u>	<u>\$1,159,097</u>

See auditor's report on supplemental information.

ALMA TELEPHONE COMPANY, INC.
 SUPPLEMENTAL INFORMATION
 ALMA CELLULAR, INC.
 STATEMENTS OF INCOME AND RETAINED EARNINGS
 FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
INCOME:		
Income on investment in cellular partnership	\$385,158	\$350,084
Interest income	<u>8,255</u>	<u>- - -</u>
Total income	<u>393,413</u>	<u>350,084</u>
EXPENSES -		
Other cellular expenses	<u>2,509</u>	<u>531</u>
Total expenses	<u>2,509</u>	<u>531</u>
INCOME BEFORE INCOME TAX PROVISION	390,904	349,553
INCOME TAX PROVISION	<u>147,513</u>	<u>131,907</u>
NET INCOME	243,391	217,646
RETAINED EARNINGS - beginning	<u>254,029</u>	<u>36,383</u>
RETAINED EARNINGS - ending	<u>\$497,420</u>	<u>\$254,029</u>

See auditor's report on supplemental information.

ALMA TELEPHONE COMPANY, INC.
 SUPPLEMENTAL INFORMATION
 ALMA CELLULAR, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 243,391	\$ 217,646
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	15,494	- - -
Income on investment in partnership	(385,158)	(350,084)
Change in accounts receivable	5,790	78,397
Change in interest receivable	(4,862)	- - -
Change in accrued taxes	112	46,727
Change in accounts payable	<u>131,907</u>	<u>- - -</u>
Net cash provided (used) by operating activities	<u>6,674</u>	<u>(7,314)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Distributions from investment in partnership	137,109	123,127
Purchase of certificates of deposit	<u>(225,000)</u>	<u>- - -</u>
Net cash provided (used) by investing activities	<u>(87,891)</u>	<u>123,127</u>
CASH FLOWS FROM FINANCING ACTIVITIES -		
Proceeds from additional paid-in-capital	<u>- - -</u>	<u>30,967</u>
Net cash provided (used) by financing activities	<u>- - -</u>	<u>30,967</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(81,217)	146,780
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>147,280</u>	<u>500</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 66,063</u>	<u>\$ 147,280</u>
SUPPLEMENTAL DISCLOSURES -		
Operating activities reflect the following cash payments -		
Income taxes	<u>\$ 131,907</u>	<u>\$ 85,180</u>

See auditor's report on supplemental information.

**ALMA TELEPHONE COMPANY, INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994
AND
INDEPENDENT AUDITOR'S REPORT**

**ALMA TELEPHONE COMPANY, INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994**

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D. M. Vickers & Assoc., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

DON M. VICKERS, CPA (1931-1989)

LARRY E. GARRETT, CPA

R. LARRY SUMNER, CPA

DENNIS M. VICKERS, CPA

420 Broad Street

P. O. Box 239

Hawkinsville, Georgia 31036

(912) 783-4091

Telecopier
(912) 783-2430

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
of Alma Telephone Company, Inc.

We have audited the accompanying consolidated balance sheets of Alma Telephone Company, Inc. as of December 31, 1995 and 1994, and the related consolidated statements of income, retained earnings, 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 audit.

We conducted our audits in accordance with generally accepted auditing standards and the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 Alma Telephone Company, Inc. as of 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.

In accordance with Government Auditing Standards, we have also issued a report dated February 2, 1996, on our consideration of Alma Telephone Company's internal control structure and a report dated February 2, 1996, on its compliance with laws and regulations.

D. M. Vickers & Associates, P. C.

February 2, 1996

LIABILITIES AND STOCKHOLDER'S EQUITY

	<u>1995</u>	<u>1994</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 245,204	\$ 503,768
Other accounts payable (Note 2)	6,424	40,843
Advance billings and payments	118,501	114,402
Customer deposits	83,232	76,745
Current maturities of long-term debt (Note 3)	196,447	195,382
Accrued taxes (Note 2)	96,114	226,746
Other current liabilities (Note 2)	<u>152,456</u>	<u>198,672</u>
Total current liabilities	<u>898,378</u>	<u>1,356,558</u>
LONG-TERM DEBT:		
RUS mortgage notes, less current portion (Note 3)	3,928,388	4,093,504
Other long-term debt, less current portion (Note 3)	<u>1,613,028</u>	<u>1,644,363</u>
Total long-term debt	<u>5,541,416</u>	<u>5,737,867</u>
DEFERRED CREDITS:		
Deferred investment tax credits	472,847	467,612
Deferred income taxes (Notes 2 and 5)	897,598	881,766
Deferred revenue TRA 86 (Note 4)	---	146,335
Deferred interest income	90	965
Other deferred credits (Note 5)	<u>326,773</u>	<u>324,356</u>
Total deferred credits	<u>1,697,308</u>	<u>1,821,034</u>
STOCKHOLDER'S EQUITY:		
Common stock - no par value, 100,000 shares authorized, 24,000 shares issued and outstanding	126,240	126,240
Retained earnings	<u>5,105,621</u>	<u>4,872,566</u>
Total stockholder's equity	<u>5,231,861</u>	<u>4,998,806</u>
Total liabilities and stockholder's equity	<u>\$13,368,963</u>	<u>\$13,914,265</u>

The notes are an integral part of these financial statements.

ALMA TELEPHONE COMPANY, INC.
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

REGULATED OPERATIONS

	<u>1995</u>	<u>1994</u>
OPERATING REVENUES:		
Basic local network services	\$ 955,858	\$ 758,173
Network access services	3,341,786	3,363,510
Long distance network services	(505)	5,959
Miscellaneous	344,999	439,186
Uncollectible revenues	<u>(22,333)</u>	<u>(25,474)</u>
 Total operating revenues	 <u>4,619,805</u>	 <u>4,541,354</u>
OPERATING EXPENSES:		
Plant specific operations	519,409	502,590
Plant nonspecific operations	145,399	228,627
Depreciation and amortization	1,238,250	876,860
Customer operations	276,757	232,270
Corporate operations	<u>1,329,271</u>	<u>1,435,071</u>
 Total operating expenses	 <u>3,509,086</u>	 <u>3,275,418</u>
OPERATING TAXES:		
Provision for income taxes (Notes 2 and 5)	222,721	265,177
Provision for deferred taxes (Notes 2 and 5)	31,716	6,396
Investment tax credit amortization	(14,476)	(50,466)
Other operating taxes	<u>144,218</u>	<u>124,313</u>
 Total operating taxes	 <u>384,179</u>	 <u>345,420</u>
 OPERATING INCOME	 <u>726,540</u>	 <u>920,516</u>

The notes are an integral part of these financial statements.

ALMA TELEPHONE COMPANY, INC.
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

REGULATED OPERATIONS

	<u>1995</u>	<u>1994</u>
OPERATING INCOME (from preceding page)	<u>\$ 726,540</u>	<u>\$ 920,516</u>
OTHER INCOME (EXPENSE):		
Interest and dividend income	62,566	102,395
Other nonoperating income (expense)	17,603	(74,938)
Nonoperating taxes (Note 2)	<u>(30,548)</u>	<u>(17,813)</u>
Total other income (expense)	<u>49,621</u>	<u>9,644</u>
FIXED CHARGES:		
Interest on long-term debt	370,878	377,162
Interest other	<u>4,164</u>	<u>2,525</u>
Total fixed charges	<u>375,042</u>	<u>379,687</u>
REGULATED NET INCOME	401,119	550,473
NONREGULATED NET INCOME (EXPENSE) (Note 2)	<u>254,265</u>	<u>195,876</u>
NET INCOME	655,384	746,349
RETAINED EARNINGS - beginning	4,872,566	4,458,217
DIVIDENDS	<u>(422,329)</u>	<u>(332,000)</u>
RETAINED EARNINGS - ending	<u>\$5,105,621</u>	<u>\$4,872,566</u>

The notes are an integral part of these financial statements.

ALMA TELEPHONE COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

	<u>1995</u>	<u>1994</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 655,384	\$ 746,349
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,293,920	927,746
Extraordinary retirement	13,250	---
Deferred income taxes	29,299	27,557
Miscellaneous noncash income (expense)	929	928
Amortization of investment tax credits	(14,476)	(50,466)
Investment tax credit applied	19,711	115,359
Loss on disposal of marketable securities	13,560	---
Unrealized gain on trading securities	(44,688)	---
Income on investment in partnership	(350,084)	(283,570)
Change in deferred credits	(144,793)	18,359
Change in marketable securities	---	49,166
Change in accounts receivable	146,281	(78,883)
Change in prepaid expenses	(1,778)	(691)
Change in inventories	207,448	6,765
Change in other current assets	3,798	(3,411)
Change in accounts payable	(292,983)	330,218
Change in customer advance payment	10,586	16,328
Change in accrued taxes	(130,632)	209,968
Change in other current liabilities	<u>(46,216)</u>	<u>(44,500)</u>
Net cash provided (used) by operating activities	<u>1,368,516</u>	<u>1,987,222</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of property	4,791	36,807
Purchase of property, plant, and equipment	(1,826,392)	(2,205,746)
Plant removal cost	(1,578)	(313)
Proceeds from temporary cash investments	151,591	1,098,409
Proceeds from disposal of securities	209,028	---
Purchase of marketable securities	(14,369)	---
Distributions from investment in partnership	123,127	40,000
Investments in PCS	<u>(110,780)</u>	<u>---</u>
Net cash provided (used) by investing activities	<u>(1,464,582)</u>	<u>(1,030,843)</u>

The notes are an integral part of these financial statements.

ALMA TELEPHONE COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

	<u>1995</u>	<u>1994</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	\$ (195,386)	\$ (207,134)
Dividends paid	<u>(300,326)</u>	<u>(332,000)</u>
Net cash provided (used) by financing activities	<u>(495,712)</u>	<u>(539,134)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(591,778)	417,245
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,583,813</u>	<u>1,166,568</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 992,035</u>	<u>\$1,583,813</u>
SUPPLEMENTAL DISCLOSURES:		
Operating activities reflect the following cash payments:		
Interest	<u>\$ 374,542</u>	<u>\$ 383,926</u>
Income taxes	<u>\$ 468,111</u>	<u>\$ 69,412</u>
Noncash investing and financing activities -		
Dividend paid in transfer of receivable	<u>\$ (122,003)</u>	<u>\$ - - -</u>

The notes are an integral part of these financial statements.

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REGULATION - Alma Telephone Company, Inc. (the Company) is subject to regulation by the Georgia Public Service Commission (GPSC) and the Federal Communications Commission (FCC). Among other things, the Company must receive prior approval from the GPSC for increases in rates and long-term debt commitments. As disclosed in Note 4, the Company had pending before the GPSC final resolution of Commission Docket No. 3681-U concerning the regulatory effects of the Tax Reform Act of 1986. In administrative session September 5, 1995, the GPSC voted to relieve the Company of any obligation under the Docket.

BASIS OF PRESENTATION - Alma Telephone Company, Inc. is a wholly owned subsidiary of Alma Telecom, Inc. (ATI), a holding company. ATI also owns Al-Data, Inc. The consolidated financial statements include the accounts of Alma Telephone Company, Inc. and its wholly owned subsidiary Alma Cellular, Inc. All material intercompany accounts and transactions have been eliminated in consolidation.

As a regulated utility, the Company is required to utilize the Uniform System of Accounts (USOA) prescribed by the FCC. The USOA (Part 32) is a financial-based accounting system designed to conform more closely with generally accepted accounting principles. Part 32 requires a large portion of indirectly related construction costs to be expensed instead of capitalized.

NATURE OF OPERATIONS - The Company provides local telephone service to individuals and businesses within the boundaries of its local service area. The Company's primary sources of revenue are access charges received from long-distance carriers for the switching of long-distance telephone calls and billing and collection fees paid by these long-distance carriers. Other nonregulated income is derived by renting and selling video equipment and investment in a cellular partnership which provides cellular telephone service throughout middle and south Georgia.

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 period. Actual results could differ from those estimates.

FAIR VALUES OF FINANCIAL INSTRUMENTS - The following methods and assumptions were used by the Company in estimating fair values of financial instruments as disclosed herein:

CASH AND TEMPORARY CASH INVESTMENTS - The carrying amounts of cash and temporary cash investments approximate their fair value.

TRADING SECURITIES - The carrying amounts of trading securities are reported in accordance with Statement of Financial Accounting Standards (SFAS) 115, "Accounting for Certain Investments in Debt and Equity Securities."

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

INVESTMENTS - Investments consist of Class B stock in the Rural Telephone Bank (RTB) and are carried at cost. Stock in the RTB is not readily marketable and may only be owned by entities that are qualified to receive loan funds from the RTB. Ownership of RTB stock, which is required of RTB's borrowers, is subject to the terms and conditions set forth in the bylaws of the RTB. No dividends are payable on Class B RTB stock; however, patronage refunds in the form of additional shares of Class B stock are paid in accordance with the terms of the bylaws of the RTB. Due to the ownership restrictions placed on RTB stock and the uncertainty of future cash flows, it is not practicable for the Company to estimate the fair value of this investment.

INVESTMENTS IN PCS - Investments in PCS consist of investments in two new personal communication services corporations. These corporations are new corporations that are planning to invest in and operate PCS communication companies. The companies are currently bidding on PCS licenses and no reasonable projection of cash flow is available. The stock of these corporations is not readily marketable and it is not practicable for the Company to estimate the fair value of this investment.

LONG-TERM DEBT - The Company has outstanding RUS long-term debt with fixed interest rates of two and five percent. The two percent loans are estimated using a discounted cash flow calculation that applies the current borrowing rate of the Company, five percent, to a schedule of aggregated expected quarterly maturities. The carrying amount of the five percent debt is considered to approximate its fair value.

The Company also has RTB mortgage notes with fixed interest rates from eight to ten and one half percent. The fair value of these loans has been estimated using a discounted cash flow calculation that applies the current borrowing rate of five percent to a schedule of aggregated expected quarterly maturities.

CASH AND CASH EQUIVALENTS - For the purpose of the statement of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

TEMPORARY CASH INVESTMENTS - Temporary cash investments consist of certificates of deposit with original maturities greater than three months.

TRADING SECURITIES - The Company accounts for trading securities under the provision of Statement of Financial Accounting Standards (SFAS) 115, "Accounting for Certain Investments in Debt and Equity Securities."

Trading securities are securities that are bought and held principally for the purpose of selling them in the near term. These securities generally reflect active and frequent buying and selling, and trading securities are generally used with the objective of generating profits on short-term differences in prices. For December 31, 1995 and 1994, net unrealized (gain) losses of \$(44,688) and \$69,338, respectively, were recorded in the consolidated statements of income.

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

MATERIALS AND SUPPLIES - Materials and supplies are stated at cost or market, whichever is lower. Cost is determined substantially by the weighted moving average method of inventory valuation.

Merchandise held for resale is stated at the lower of cost or market. Cost is determined on the first-in, first-out basis.

INVESTMENTS - Investments consist of stock in the Rural Telephone Bank and are carried at cost.

INVESTMENTS - NONREGULATED - Investments - nonregulated consist of investments in Georgia Independent RSA 7 and 10 Cellular Partnership. Investments - nonregulated are carried at net book value of the Company's percentage of the partnership interest plus any excess paid to buy out other partners' interest.

INVESTMENTS IN PCS - During 1995, the Company purchased 998 shares of Class B common stock in the Savannah Independent PCS Corporation and 499 shares of Class B common stock in the Georgia Independent PCS Corporation. These corporations will bid on licenses for the construction of new personal communication services businesses within the State of Georgia.

PROPERTY, PLANT, AND EQUIPMENT - Property, plant, and equipment is carried at cost which includes the capitalization of certain construction related expenses and interest during construction.

Effective September 6, 1995, the Company must apply the requirements of FCC Docket No. 93-50 concerning allowance for funds used during construction (AFUDC). Docket No. 93-50 provides for the cost of financing the construction of telecommunications plant be capitalized on all construction. Prior to the issuance of Docket No. 93-50, interest was capitalized only on projects lasting in excess of twelve months..

Depreciation is provided for under the straight-line method for accounting purposes and generally under accelerated methods for federal income tax purposes (see income taxes). When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its original cost, together with the cost of removal less salvage, is charged to accumulated depreciation. Depreciation is limited to rates approved by the GPSC. See Note 2 for summary of approved rates.

The cost of maintenance, repairs and replacements of minor items of property are charged to maintenance expense accounts. The cost of replacements of property, exclusive of minor items of property, are charged to the utility plant accounts.

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

INCOME TAXES - Current provisions for income taxes are based on amounts reported in the statements of income (after exclusion of nontaxable income such as interest on state and municipal securities). Deferred taxes are provided in accordance with Statement of Financial Accounting Standards (SFAS) 109, "Accounting for Income Taxes," which supersedes SFAS 96, "Accounting for Income Taxes." Deferred taxes are provided for accumulated temporary differences due to basis differences for assets and liabilities for financial reporting and income tax purposes, including alternative minimum taxes. The Company's temporary differences are due primarily to accelerated depreciation, regulatory deferred tax assets and liabilities, partnership investments, unamortized investment tax credits, marketable securities, accrued sick leave and alternative minimum tax credit carryforward.

In accordance with the provisions of SFAS 109, the Company and its subsidiary recognize deferred tax assets and liabilities for future tax consequences of events that have been previously recognized in the Company and its subsidiary's financial statements or tax returns. The measurement of deferred tax assets and liabilities is based on provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Previously, under Accounting Principles Board (APB) 11, having elected not to adopt SFAS 96 prior to its required effective date, the Company used the deferred method of accounting for income taxes in which annual income tax expense was matched with pretax accounting income by providing deferred taxes at current tax rates for timing differences between the determination of net income for financial and tax purposes.

Adoption of SFAS 109 by the Company required the recording of additional deferred income tax assets or liabilities related primarily to temporary differences previously flowed through under rate-making policy and income tax rate changes. To record SFAS 109 in accordance with SFAS 71, "Accounting for the Effects of Certain Types of Regulation," a corresponding regulatory asset or liability equal to the future revenue impact of these additional deferred tax items has been recorded as an offset to these additional deferred tax assets or liabilities. These regulatory assets or liabilities are also considered to be temporary differences for which deferred tax assets or liabilities are recognized.

The Company's tax return is filed as part of a consolidated income tax return of its parent company, Alma Telecom, Inc. (ATI). As a subsidiary company, the Company computes its income tax expense and that of its subsidiary, ACI, as if individual corporate tax returns were filed with ACI receiving any surtax exemptions. Any benefits or disadvantage of the consolidation are absorbed by ATI.

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Investment credits generated are recognized as a reduction of income tax expense over the productive lives of the related acquired properties. For income tax purposes, investment tax credits used to reduce income taxes payable for the years ended December 31, 1995 and 1994, amounted to \$19,711 and \$115,359, respectively. The Company has no unused investment tax credits at December 31, 1995. For financial reporting purposes, investment tax credits are amortized over the remaining useful life of the related assets that generated the credit which is assumed to be twenty years. At December 31, 1995 and 1994, the Company had available \$472,847 and \$467,612, respectively, of unamortized investment tax credits for financial reporting purposes.

Alternative minimum tax credits are generated whenever a corporation's tentative minimum tax exceeds its regular tax for federal income tax purposes during any given tax year. These credits may be carried forward indefinitely to reduce a corporation's future federal tax liability to the amount computed for tentative minimum tax whenever the regular income tax exceeds the tentative minimum tax. At December 31, 1995 and 1994, the Company had available alternative minimum tax credits of \$148,716 and \$188,659, respectively.

PENSION PLAN - The Company has a combination mandatory and voluntary pension plan which covers substantially all of its employees. Pension costs include current service costs, which are accrued and funded on a current basis, and prior costs which are amortized over ten years. Pension expenses charged to operations in 1995 and 1994 were \$59,424 and \$57,415, respectively. The plan is a part of a multiple employer plan with National Telephone Cooperative Association (NTCA). The total of NTCA's plan assets available to meet all plan benefits at December 31, 1994, was \$479,356,640. The amount at December 31, 1995, was unavailable as of the date of this report. The plan contains an interest equivalent of eight (8%) percent in determining present value which discounts future payments for interest and mortality.

The Company makes annual contributions to the plan equal to the amount accrued for pension expense.

The actuarial present value of vested and nonvested accumulated plan benefits is not available. The plan is not required to report such information with certain governmental agencies pursuant to the Employee Retirement Income Security Act of 1974 (ERISA).

On January 1, 1994, the Company adopted the Money Purchase Segment of the Savings Plan sponsored by the National Telephone Cooperative Association. This plan consists of a 401(k) profit sharing plan in which the Company contributes annually 6% of each eligible employee's salary. Each employee may elect to contribute annually up to 16.3% of his salary as a salary reduction contribution. He also may elect to contribute annually 10% of his salary as a post-tax contribution. This plan covers substantially all of the Company's employees. The Company's total contribution to this plan during 1995 and 1994, was \$86,295 and \$65,834, respectively.

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

REVENUE RECOGNITION - Since the divestiture in 1982 by AT&T of the Bell operating companies, revenue recognition by local telephone companies has been subject to adjustments in later years. These adjustments arise due to the use of estimates for monthly revenue recognition. Several months later, when actual data is available, the estimates are adjusted to actual amounts. Revenues reported by Alma Telephone Company, Inc. represent management's best estimate of revenue earned; however, adjustments may occur in the future. Since the revenue recognition process is based on estimates, subsequent adjustments are treated as a change in an estimate and the effects are recorded in the income statement of the subsequent period.

2. ADDITIONAL FINANCIAL INFORMATION:

The following sets forth components of certain financial statement amounts:

	<u>1995</u>	<u>1994</u>
Other accounts receivable:		
Returned checks	\$ 2,110	\$ 2,545
Accounts receivable - nonregulated	3,201	7,647
Long-distance carriers	279,225	443,217
Due from officers and employees	10,031	12,385
Due from affiliated companies	49,716	53,115
Other miscellaneous receivables	---	6
Fiber ring access	<u>43,354</u>	<u>41,505</u>
Total other accounts receivable	<u>\$387,637</u>	<u>\$560,420</u>
Prepayments:		
Prepaid insurance	\$ 5,873	\$ 4,038
Prepaid postage	<u>2,277</u>	<u>2,334</u>
Total prepayments	<u>\$ 8,150</u>	<u>\$ 6,372</u>
Deferred income taxes:		
Federal deferred income taxes	\$ 45,716	\$ 55,017
State deferred income taxes	<u>7,611</u>	<u>9,159</u>
Total deferred income taxes	<u>\$ 53,327</u>	<u>\$ 64,176</u>
Other current assets -		
Accrued interest receivable	<u>\$ ---</u>	<u>\$ 3,798</u>
Other noncurrent assets:		
Cash surrender value of life insurance	\$ ---	\$122,003
Deferred charges	<u>19,357</u>	<u>20,286</u>
Total other noncurrent assets	<u>\$ 19,357</u>	<u>\$142,289</u>

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

2. ADDITIONAL FINANCIAL INFORMATION: (continued)

	<u>Depreciation Rates</u>	<u>1995</u>	<u>1994</u>
Regulated plant in service:			
Land	N/A	\$ 111,734	\$ 111,734
Motor vehicles	12.50%	687,409	686,220
Other work equipment	11.00%	20,840	20,840
Buildings	4.50%	840,451	754,104
Furniture	10.00%	115,445	114,507
Office equipment	12.50%	72,430	70,692
Official telephone equipment	12.50%	44,186	17,972
General purpose computers	18.00%	257,606	240,617
Central office equipment:			
Digital equipment	9.00%	2,223,949	2,143,590
Paging equipment	9.00%	22,937	41,114
Trunk carrier	14.00%	257,329	204,402
Subscriber carrier	14.00%	216,349	203,166
Line concentrators	9.00%	367,050	369,974
Station apparatus	12.50%	250,014	250,014
Paystations	8.96%	32,717	32,717
Poles	15.00%	42,499	45,783
Aerial cable	16.00%	78,240	80,798
Underground cable	4.50%	64,277	63,855
Fiber cable	5.20%	1,259,007	699,013
Buried cable	8.00%	9,151,340	8,702,586
Aerial wire	20.00%	49,385	49,385
Underground conduit	2.50%	15,513	15,513
Organization	N/A	<u>1,207</u>	<u>1,207</u>
 Total regulated plant in service		 <u>\$16,181,914</u>	 <u>\$14,919,803</u>
Other accounts payable:			
Payroll and other taxes collected		\$ 623	\$ 25,822
Long-distance carriers		5,801	12,922
Other miscellaneous payables		<u>---</u>	<u>2,099</u>
 Total other accounts payable		 <u>\$ 6,424</u>	 <u>\$ 40,843</u>

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

2. ADDITIONAL FINANCIAL INFORMATION: (continued)

	<u>1995</u>	<u>1994</u>
Accrued taxes:		
Accrued federal income taxes	\$ 65,173	\$176,247
Accrued franchise taxes	16,073	15,981
Accrued state income taxes	15,290	31,648
Other accrued taxes	<u>(422)</u>	<u>2,870</u>
Total accrued taxes	<u>\$ 96,114</u>	<u>\$226,746</u>
Other current liabilities:		
Accrued interest	\$ 34,762	\$ 34,262
Accrued payroll	14,486	17,973
Accrued sick leave	96,250	92,477
Accrued potential overearnings	---	59,450
Other miscellaneous current liabilities	<u>6,958</u>	<u>(5,490)</u>
Total other current liabilities	<u>\$152,456</u>	<u>\$198,672</u>
Deferred income taxes:		
Federal deferred income taxes	\$722,023	\$704,631
State deferred income taxes	<u>175,575</u>	<u>177,135</u>
Total deferred income taxes	<u>\$897,598</u>	<u>\$881,766</u>
Operating provision for income taxes:		
Federal income taxes	\$184,278	\$253,444
State income taxes	<u>38,443</u>	<u>11,733</u>
Total operating provision for income taxes	<u>\$222,721</u>	<u>\$265,177</u>
Operating provision for deferred taxes:		
Federal deferred income taxes (benefit)	\$ 31,993	\$ (6,226)
State deferred income taxes (benefit)	<u>(277)</u>	<u>12,622</u>
Total operating provision for deferred taxes	<u>\$ 31,716</u>	<u>\$ 6,396</u>
Nonoperating taxes:		
Federal income taxes	\$ 27,042	\$ 10,189
State income taxes	<u>3,506</u>	<u>7,624</u>
Total nonoperating taxes	<u>\$ 30,548</u>	<u>\$ 17,813</u>

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

2. ADDITIONAL FINANCIAL INFORMATION: (continued)

	<u>1995</u>	<u>1994</u>
Nonregulated income (expense):		
Installation and maintenance revenue	\$ 21,541	\$ 23,413
Lease revenue	198,970	203,620
Inside wiring revenue	77,622	75,041
Telephone sales	74,215	35,232
Video revenue	106,858	131,584
Video sales	10,810	24,219
Other sales	14,383	18,429
Interstate billing and collections - net income	75,824	79,682
Interest income	875	1,153
Miscellaneous rental income	4,200	4,200
Installation and maintenance expense	(63,678)	(72,464)
Telephone expense	(260,911)	(232,408)
Video expense	(141,899)	(152,971)
Depreciation and amortization	(106,977)	(80,597)
Other cellular expense	(531)	(1,773)
Income on investment in partnership	350,084	283,570
Deferred federal income taxes	---	(17,984)
Deferred state income taxes	---	(3,177)
Federal income taxes	(90,180)	(93,973)
State income taxes	<u>(16,941)</u>	<u>(28,920)</u>
Total nonregulated income (expense)	<u>\$ 254,265</u>	<u>\$ 195,876</u>

3. LONG-TERM DEBT:

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

	<u>1995</u>	<u>1994</u>
Rural Utilities Service (RUS) -		
Mortgage notes due in quarterly payments plus interest at 2% to 5% per annum over thirty-five years. Notes mature from 1996 to 2018. Quarterly payments approximate \$97,698, including interest.	\$4,093,541	\$4,260,301

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

3. LONG-TERM DEBT: (continued)

	<u>1995</u>	<u>1994</u>
Rural Telephone Bank (RTB) - Mortgage notes due in quarterly payments plus interest at 8% to 10.5% per annum to 2008. Quarterly payments approximate \$48,430, including interest.	<u>\$1,644,322</u>	<u>\$1,672,948</u>
Total	5,737,863	5,933,249
Less current portion	<u>196,447</u>	<u>195,382</u>
Long-term portion	<u>\$5,541,416</u>	<u>\$5,737,867</u>

Mortgage agreements, as amended, provide, among other things, for various restrictions on the payment of dividends. Allowable distributions for 1995 amounted to \$1,876,649 calculated by the regular method and \$2,253,012 calculated by the alternative method. Telephone plant has been pledged as collateral on the first mortgage notes to the RUS and the RTB.

As of December 31, 1995 and 1994, there were no unadvanced loan funds. Maturities of long-term debt are as follows:

1996	\$ 196,447
1997	206,907
1998	217,984
1999	221,191
2000	218,983
2001-2018	4,676,351

4. OTHER DEFERRED CREDITS:

In accordance with GPSC Docket No. 3681-U, Alma Telephone Company, Inc. deferred \$1,626 per month of local service revenues. This amount was to be accounted for upon final resolution of the Docket by the Public Service Commission. In administrative session September 5, 1995, the GPSC relieved the Company of any obligation under this Docket. The Company in turn reversed the \$146,335 in prior year accruals in 1995.

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

5. INCOME TAXES:

The components of income tax expense (benefit) are:

	<u>1995</u>	<u>1994</u>
Currently payable:		
Federal income tax	\$ 301,500	\$ 357,606
State income tax	<u>58,890</u>	<u>48,277</u>
Net current expense	<u>\$ 360,390</u>	<u>\$ 405,883</u>
Deferred tax expense (benefit) arising from:		
Depreciation	\$ (20,554)	\$ 63,659
Investments in cellular partnership	---	22,241
Marketable securities	17,724	(26,841)
Accrued sick leave	(1,496)	(32,846)
Alternative minimum tax credit carryforward	39,943	---
Amortization of excess deferred tax	1,478	1,478
Capital loss carryover	(5,379)	---
Other	<u>---</u>	<u>(134)</u>
Net deferred tax expense	<u>\$ 31,716</u>	<u>\$ 27,557</u>

Deferred tax assets/liabilities consist of the following at December 31:

Deferred Tax Assets

Marketable securities	\$ 9,776	\$ 27,500
Accrued sick leave	38,173	36,677
Unamortized investment tax credit	160,768	158,988
Alternative minimum tax credit carryforward	148,716	188,659
Regulatory deferred credit	100,483	98,696
Capital loss carryover	5,379	---
State tax effect	<u>57,164</u>	<u>57,173</u>
Gross deferred tax assets	<u>\$ 520,459</u>	<u>\$ 567,693</u>

Deferred Tax Liabilities

Depreciation	\$1,278,503	\$1,299,056
Investments in cellular partnership	<u>86,227</u>	<u>86,227</u>
Gross deferred tax liabilities	<u>\$1,364,730</u>	<u>\$1,385,283</u>

**ALMA TELEPHONE COMPANY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994**

5. INCOME TAXES: (continued)

Deferred tax regulatory assets/liabilities consist of the following at December 31:

	<u>1995</u>	<u>1994</u>
<u>Deferred Tax Regulatory Asset</u>		
Excess deferred income tax for change in tax rates	\$ <u>28,801</u>	\$ <u>31,419</u>
Total deferred tax regulatory asset	\$ <u>28,801</u>	\$ <u>31,419</u>
<u>Deferred Tax Regulatory Liability</u>		
Excess deferred income tax for change in tax rates	\$ 2,919	\$ 3,186
Investment tax credit	243,588	240,890
State tax effect on federal deferred income taxes	<u>80,266</u>	<u>80,280</u>
Total deferred tax regulatory liability	<u>\$326,773</u>	<u>\$324,356</u>

6. RELATED PARTY TRANSACTIONS:

During 1994, the stockholders of the Company exchanged their stock for stock in Alma Telecom, Inc., a holding company.

Alma Cellular, Inc. is a wholly owned subsidiary of Alma Telephone Company, Inc. Alma Telephone Company, Inc. invested \$30,967 and \$1,773 in Alma Cellular, Inc. in 1995 and 1994, respectively. Alma Cellular, Inc. owns a 20% interest in a partnership for cellular service to RSA 7 and 10.

The Company's President also controls Dixie Cable T. V. Company. The Company performed services for Dixie Cable T. V. Company at or above cost which amounted to \$141,121 and \$1,513 in 1995 and 1994, respectively. During 1994, Dixie Cable T.V. Company performed services for the Company at or above cost amounting to \$5,017.

The Company leases 2.96 acres of land and an antenna tower from Dixie Cable T. V. Company. The lease is classified as an operating lease and provides for minimum rentals of \$700 per month.

The Patterson central office equipment is located on land rented under an informal rental agreement with the Company's President. The rental expense for the use of this land for the years ending December 31, 1995 and 1994, amounted to \$1,300 and \$1,200, respectively.

The Company had a \$200,000 note receivable due from an officer. This note carried an interest rate of 6% per annum and matured December 1995. During 1995 the note, including interest, was paid in full.

ALMA TELEPHONE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

7. CONCENTRATION OF CREDIT RISK:

The Company maintains balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Amounts not insured by FDIC insurance at December 31, 1995 and 1994, amounted to approximately \$478,513 and \$1,180,368, respectively.

8. FINANCIAL INSTRUMENTS:

The Company is required under SFAS 107, "Disclosures About Fair Value of Financial Instruments," to disclose fair value for its financial instruments. The assumptions used to estimate these fair values are discussed in Note 1.

The estimated fair values of the Company's financial instruments were as follows at December 31, 1995:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and temporary cash investments	\$ 992,035	\$ 992,035
Trading securities	140,992	140,992
Long-term debt (including current portion)	5,737,863	6,530,045

SUPPLEMENTAL INFORMATION

D. M. Vickers & Assoc., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

DON M. VICKERS, CPA (1931-1989)

LARRY E. GARRETT, CPA

R. LARRY SUMNER, CPA

DENNIS M. VICKERS, CPA

420 Broad Street

P. O. Box 239

Hawkinsville, Georgia 31036

(912) 783-4091

Telecopier
(912) 783-2430

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL INFORMATION**

To the Board of Directors and Stockholders
of Alma Telephone Company, Inc.

Our report on our audits of the consolidated financial statements of Alma Telephone Company, Inc. for 1995 and 1994 appears on page one. Those audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

D. M. Vickers & Associates, P. C.

February 2, 1996

ALMA TELEPHONE COMPANY, INC.
 SUPPLEMENTAL INFORMATION
 ALMA CELLULAR, INC.
 BALANCE SHEETS
 DECEMBER 31, 1995 AND 1994

<u>ASSETS</u>	<u>1995</u>	<u>1994</u>
CURRENT ASSETS:		
Cash - general funds	\$ 147,280	\$ 500
Intercompany receivable	5,432	90,612
Accounts receivable-affiliate	<u>16,783</u>	<u>10,000</u>
Total current assets	<u>169,495</u>	<u>101,112</u>
NONCURRENT ASSETS:		
Investment in cellular partnership	981,264	754,307
Deferred income taxes	<u>8,338</u>	<u>8,338</u>
Total noncurrent assets	<u>989,602</u>	<u>762,645</u>
Total assets	<u>\$1,159,097</u>	<u>\$863,757</u>
<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>		
CURRENT LIABILITIES -		
Accrued income taxes	<u>\$ 131,907</u>	<u>\$ 85,180</u>
Total current liabilities	<u>131,907</u>	<u>85,180</u>
DEFERRED CREDITS -		
Deferred income taxes	<u>12,318</u>	<u>12,318</u>
Total deferred credits	<u>12,318</u>	<u>12,318</u>
STOCKHOLDER'S EQUITY:		
Common stock - \$100 par value, 100,000 shares authorized, 10 shares issued and outstanding	1,000	1,000
Additional paid-in-capital	759,843	728,876
Retained earnings	<u>254,029</u>	<u>36,383</u>
Total stockholder's equity	<u>1,014,872</u>	<u>766,259</u>
Total liabilities and stockholder's equity	<u>\$1,159,097</u>	<u>\$863,757</u>

See auditor's report on supplemental information.

ALMA TELEPHONE COMPANY, INC.
 SUPPLEMENTAL INFORMATION
 ALMA CELLULAR, INC.
 STATEMENTS OF INCOME AND RETAINED EARNINGS
 FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

	<u>1995</u>	<u>1994</u>
INCOME -		
Income on investment in cellular partnership	<u>\$350,084</u>	<u>\$ 283,570</u>
Total income	<u>350,084</u>	<u>283,570</u>
EXPENSES -		
Other cellular expenses	<u>531</u>	<u>1,773</u>
Total expenses	<u>531</u>	<u>1,773</u>
INCOME BEFORE INCOME TAX PROVISION	349,553	281,797
INCOME TAX PROVISION	<u>131,907</u>	<u>106,341</u>
NET INCOME	217,646	175,456
RETAINED EARNINGS - beginning	<u>36,383</u>	<u>(139,073)</u>
RETAINED EARNINGS - ending	<u>\$254,029</u>	<u>\$ 36,383</u>

See auditor's report on supplemental information.

**ALMA TELEPHONE COMPANY, INC.
SUPPLEMENTAL INFORMATION
ALMA CELLULAR, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994**

	<u>1995</u>	<u>1994</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 217,646	\$ 175,456
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	---	21,161
Income on investment in partnership	(350,084)	(283,570)
Change in accounts receivable	78,397	11,414
Change in accrued taxes	<u>46,727</u>	<u>63,766</u>
Net cash provided (used) by operating activities	<u>(7,314)</u>	<u>(11,773)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES -		
Distributions from investment in partnership	<u>123,127</u>	<u>40,000</u>
Net cash provided (used) by investing activities	<u>123,127</u>	<u>40,000</u>
 CASH FLOWS FROM FINANCING ACTIVITIES -		
Proceeds from additional paid-in-capital	<u>30,967</u>	<u>(28,227)</u>
Net cash provided (used) by financing activities	<u>30,967</u>	<u>(28,227)</u>
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	146,780	---
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>500</u>	<u>500</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 147,280</u>	<u>\$ 500</u>
 SUPPLEMENTAL DISCLOSURES -		
Operating activities reflect the following cash payments -		
Income taxes	<u>\$ 85,180</u>	<u>\$ ---</u>

See auditor's report on supplemental information.

TITLE SHEET

FLORIDA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service and facilities for telecommunications services provided by AL-CALL, Inc., with principal offices at 101 Mercer Street, Alma, GA 31510. This tariff applies for services furnished within the State of Florida. This tariff is on file with the Florida Public Service Commission, and copies may be inspected, during normal business hours, at the Company's principal place of business.

Issued: August 2, 1999
Issued by:

Theodore Solomon, President
Al-call, Inc.
101 Mercer Street
P.O. Box 2027
Alma, Georgia 31510

Effective:

INTRASTATE MESSAGE TELECOMMUNICATIONS SERVICE

CHECK SHEET

The sheets listed below, inclusive of this Tariff are effective as of the dates shown. Original and revised sheets, as named below, comprise all changes from the original Tariff in effect on the date indicated.

<u>Sheet</u>	<u>Revision</u>	<u>Sheet</u>	<u>Revision</u>	<u>Sheet</u>	<u>Revision</u>
1	Original	26	Original		
2	Original	27	Original		
3	Original	28	Original		
4	Original	29	Original		
5	Original	30	Original		
6	Original	31	Original		
7	Original	32	Original		
8	Original	33	Original		
9	Original	34	Original		
10	Original	35	Original		
11	Original	36	Original		
12	Original	37	Original		
13	Original	38	Original		
14	Original				
15	Original				
16	Original				
17	Original				
18	Original				
19	Original				
20	Original				
21	Original				
22	Original				
23	Original				
24	Original				
25	Original				

Issued: August 2, 1999
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Effective:

INTRASTATE MESSAGE TELECOMMUNICATIONS SERVICE

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INTRASTATE MESSAGE TELECOMMUNICATIONS SERVICE

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INTRASTATE MESSAGE TELECOMMUNICATIONS SERVICE

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INTRASTATE MESSAGE TELECOMMUNICATIONS SERVICE

CONCURRING CARRIERS

None

CONNECTING CARRIERS

None

OTHER PARTICIPATING CARRIERS

None

REGISTERED SERVICE MARKS

None

REGISTERED TRADEMARKS

None

EXPLANATION OF SYMBOLS

- (D) - To signify discontinued rate or regulation
- (I) - To signify increase
- (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

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TARIFF FORMAT SHEETS

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 FPSC. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc., the FPSC follows in their tariff approval process, the most current sheet number on file with the Commission 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 FPSC, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new 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 FPSC.

INTRASTATE MESSAGE TELECOMMUNICATIONS SERVICE

1. General1.1 Application of Tariff

- 1.1.1 This Tariff contains the regulations and rates applicable to the provision of Intrastate Message Telecommunications Service, hereinafter referred to as "Service", by Al-call, Inc. , hereafter referred to as the "Company", from its points of presence in the State of Florida to domestic points, as specified herein. Service is furnished subject to the availability of facilities and subject to transmission, atmospheric and like conditions.
- 1.1.2 The provision of such Service by the Company as set forth in this Tariff does not constitute a joint undertaking with the Customer for the furnishing of any Service.

1.2 Definitions

Certain terms used throughout this Tariff are defined as follows:

1.2.1 Access Code

A sequence of numbers that, when dialed, connect the caller to the Provider associated with that sequence.

1.2.2 Access Line

An arrangement which connects the customer's location to the Company's network switching center.

1.2.3 Application for Service

A standard order form which includes all pertinent billing, technical, and other descriptive information which will enable the Company to provide the Service as required.

1.2.4 Authorization Code

A numerical code, one or more of which may be assigned to a Customer to enable the Company to identify the origin of the user or individual users or groups of users on one account so that the Company may rate and bill the call.

Issued: August 2, 1999
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Effective:

INTRASTATE MESSAGE TELECOMMUNICATIONS SERVICE

1. **General** (Cont'd)1.2 Definitions (Cont'd)1.2.5 Billed Party

The person or entity responsible for payment of the Company's service for an Operator Assisted Call, as follows:

1.2.5.A in the case of a Room Charge call, the Subscriber;

1.2.5.B in the case of a Calling Card or Credit Card call, the holder of the calling card or credit card used by the consumer; and

1.2.5.C in the case of a Collect or Third Party call, the person responsible for the local telephone service at the telephone number that agrees to accept charges for the call.

1.2.6 Commission

The Florida Public Service Commission.

1.2.7 Common Carrier

A company or entity providing telecommunications services to the public.

1.2.8 Company

Al-call, Inc. , unless the context indicates otherwise.

1.2.9 Customer

Any individual, partnership, association, trust, corporation, cooperative or governmental agency or other entity which utilizes the Services provided by the Company on a subscription basis. A Customer, as set forth herein, is responsible for the payment of charges and for compliance with all applicable terms of the Company's Tariff.

INTRASTATE MESSAGE TELECOMMUNICATIONS SERVICE

1. **General** (Cont'd)1.2 **Definitions** (Cont'd)1.2.10 Customer Dialed Calling Card Call

A Calling Card Call which is dialed by the Customer and may or may not require intervention by an attended operator position to complete.

1.2.11 Customer Provided Equipment

Terminal Equipment or facilities provided by persons other than the Company and connected to the Company's Services and/or facilities.

1.2.12 Dialed Access

An arrangement whereby a Customer uses the public switched network facilities of a local exchange telephone company to access the terminal of the Company.

1.2.13 Equal Access

Has the meaning given that term in Appendix B of the Modification of Final Judgment entered August 24, 1982, in United States v. Western Electric, Civil Action No. 82-0192 (United States District Court, District of Columbia), as amended by the Court in its orders issued prior to October 17, 1990.

1.2.14 Equal Access Code

An access code that allows the public to obtain an Equal Access connection to the carrier associated with that code.

1.2.15 Intrastate Message Telecommunications Service (MTS)

The term "Intrastate Message Telecommunications Service" denotes the furnishing of station-to-station direct dial intrastate switched network services to the Customer for the completion of long distance voice and dial up low speed data transmissions over voice grade channel from the Company's Points of Presence in the State of Florida to intrastate points as specified herein.

INTRASTATE MESSAGE TELECOMMUNICATIONS SERVICE

1. **General** (Cont'd)

1.2 Definitions (Cont'd)

1.2.16 Local Exchange Carrier (LEC)

A telephone company which furnishes local exchange services.

1.2.17 Measured Usage Charge or Measured Charge

A charge assessed on a per-minute basis in calculating all or a portion of the charges due for a completed call over the Company's facilities.

1.2.18 Other Common Carrier

The term "Other Common Carrier" denotes a common carrier, other than the Company, providing domestic or international communications service to the public.

1.2.19 Premises

The space designated by a Customer as its place or places of business for provision of Service or for its own communications needs.

Issued: August 2, 1999
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Effective:

INTRASTATE MESSAGE TELECOMMUNICATIONS SERVICE

1. **General** (Cont'd)

1.2 Definitions (Cont'd)

1.2.20 Service

The offerings by the Company to the Customer under this Tariff.

1.2.21 Subscriber Surcharge

A surcharge imposed by the Subscriber, to be paid by the consumer, for the use of Subscriber's telephone instruments, and other facilities in obtaining access to the Company's services.

1.2.22 Telecommunications

The transmission of voice communications or, subject to the transmission capabilities of the service, the transmission of data, facsimile, signalling, metering, or any other form of intelligence.

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Effective:

INTRASTATE MESSAGE TELECOMMUNICATIONS SERVICE

2. Rules and Regulations - Intrastate Message Telecommunications Services**2.1 Undertaking of the Company****2.1.1 Scope**

The Company is a carrier providing intrastate domestic communications services to Customers for their direct transmission of voice, data and other types of telecommunications within the State of Florida as described in this Tariff.

2.1.2 Limitations

2.1.2.A The services provided pursuant to this Tariff are offered subject to the availability of facilities and the other provisions of this Tariff.

2.1.2.B The Company does not undertake to transmit communications or messages, but rather furnishes facilities, Service and equipment for such transmissions by the Customer.

2.1.2.C The Company retains the right to deny Service to any Customer which fails to comply with the rules and regulations of this Tariff, or other applicable rules, regulations or laws.

2.2 Obligations of the Customer

2.2.1 All Customers assume general responsibilities in connection with the provision and use of the Company's Service. General responsibilities are described in this section. When facilities, equipment, and/or communication systems provided by others are connected to the Company's facilities, the Customer assumes the additional responsibilities as set forth in Section 2.2, herein.

2.2.2 The Customer is responsible for the payment of all charges for any and all Services or facilities provided by the Company to the Customer.

2.2.3 Subject to availability, the Customer may use specific codes to identify the users groups on its account and to allocate the cost of its service accordingly. The numerical composition of such codes shall be set forth by the Company to assure compatibility with the Company's accounting and automation systems and to avoid duplication of such specific codes.

2.2.4 The Company reserves the right to discontinue the use of any code provided to the Customer and to substitute another code for such Customer's use.

2.2.5 The Customer shall indemnify and save harmless the Company from and against all loss, liability, damage and expense, including reasonable counsel fees, due to claims for libel, slander, or infringement of copyright or trademark in connection with any material transmitted by the Customer using the Company's Services; and any other claim resulting from any act or omission of the Customer to the use of the Company's facilities.

INTRASTATE MESSAGE TELECOMMUNICATIONS SERVICE

2. Rules and Regulations - Intrastate Message Telecommunications Services (Cont'd)**2.2 Obligations of the Customer (Cont'd)**

- 2.2.6 Nothing contained herein, or in any other provision of this Tariff, or in any marketing materials issued by the Company shall give any Customer or person any ownership interest or proprietary right in any particular code issued by Company; provided, however, that a Customer that continues to subscribe to Company's Services will be provided a replacement code in the event such Customer's initial code is canceled.
- 2.2.7 The Customer shall reimburse the Company for damages to the Company's facilities caused by any negligence or willful act or acts on the part of the Customer.
- 2.2.8 The Customer shall pay and hold the Company harmless from the payment of all charges for service ordered by the Customer from the Local Exchange Carriers or other entities for telecommunications services and/or facilities connecting the Customer and the Company.
- 2.2.9 In the event a suit is brought by the Company, or an attorney is retained by the Company to collect any bill or enforce the terms of this Tariff against a Customer, that Customer shall be responsible for payment of all reasonable attorney's fees, court costs, costs of investigation and any and all other related costs and expenses incurred by the Company in connection therewith.
- 2.2.10 The Customer understands that the Services are furnished subject to the condition that there will be no abuse, fraudulent and/or illegal use thereof. Such activity includes, but is not limited to:
- 2.2.10.A Using the Service for any purpose which is in violation of any law.
- 2.2.10.B Obtaining or attempting to obtain Services through any scheme, false representation and/or use of any fraudulent means or devices whatsoever with the intent to avoid payment, in whole or in part, of charges for Services, or assisting any other person or firm in such regard.
- 2.2.10.C Attempting to, or actually obtaining, accessing, altering, or interfering with the communications and/or information by rearranging, tampering with or making any connection with any facilities of the Company or assisting any other person or firm in such regard.
- 2.2.10.D Using the Services in a manner that interferes unreasonably with the use of Service by one or more other Customers.
- 2.2.10.E Using the Service to convey information deemed to be obscene, salacious, or prurient, to impersonate another person with fraudulent or malicious intent, to call another person or persons so frequently, at such times, or in such a manner as to annoy, abuse, or harass, or to convey information of a nature or in a manner that renders such conveyance unlawful.

Issued: August 2, 1999
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INTRASTATE MESSAGE TELECOMMUNICATIONS SERVICE

2. Rules and Regulations - Intrastate Message Telecommunications Services (Cont'd)**2.2 Obligations of the Customer (Cont'd)**

2.2.11 The Customer, not the Company, shall be responsible for compliance with FCC Rules, 47 C.F.R. Part 68, and for all maintenance of such equipment and/or facilities.

2.3 Liabilities of the Company

2.3.1 Except as stated in this Section 2.3, the Company shall have no liability for damages of any kind arising out of or related to events, acts, rights or privileges contemplated in this Tariff.

2.3.2 The liability of the Company for damages resulting in whole or in part from or arising in connection with the furnishing of Service under this Tariff, including, but not limited to, mistakes, omissions, interruptions, delays, errors or other defects or misrepresentations shall not exceed an amount equal to the charges under this Tariff applicable to the specific call (or portion thereof) that was affected. No other liability shall attach to the Company.

2.3.3 The Company shall not be liable for any failure of performance hereunder due to causes beyond its control, including, but not limited to: (1) acts of God, fires, flood or other catastrophes; (2) any law, order, regulation, directive, action or request of the United States Government, or any other government, including state and local governments having jurisdiction over the Company, or of any department, agency, commission, bureau, corporation or other instrumentality of any one or more of said governments, or of any civil or military authority; or (3) national emergencies, insurrections, riots, wars or other labor difficulties.

2.3.4 The Company shall not be liable for any act or omission of any other entity furnishing facilities, equipment, or services used by a Customer, with the Company's Services. In addition, the Company shall not be liable for any damages or losses due to the failure or negligence of any Customer or due to the failure of Customer Provided Equipment, facilities or services.

Issued: August 2, 1999
Issued by:

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Effective:

INTRASTATE MESSAGE TELECOMMUNICATIONS SERVICE

2. Rules and Regulations - Intrastate Message Telecommunications Services (Cont'd)**2.4 Service Orders**

The Customer must place an Application for Service with the Company to initiate, cancel or change the Services provided pursuant to this Tariff. All Applications for Services must be in writing and provide, at a minimum, the following information:

- 2.4.1 Customer's name(s), telephone number(s) and address(es). In the case of a corporation or partnership, a designated officer or agent shall be named as the contact person for such corporation or partnership.
- 2.4.2 Name(s), address(es) and telephone number(s) of person(s) to whom notices from the Company to the Customer shall be addressed, if different from (A) above.

2.5 Charges and Payments for Service or Facilities**2.5.1 Deposits**

- 2.5.1.A The Company may, in order to safeguard its interests, require a Customer to make a suitable deposit or provide a surety bond or letter of credit in the amount of the required deposit as a guarantee of the payment of charges. The Company shall have the right to require the Customer to make a deposit prior to or at any time after provision of any Service, not to exceed one (1) month's estimated charges. The Company may increase the amount of the deposit to reflect increases to the Customer's annual bill. The Customer will receive a receipt for the deposit.
- 2.5.1.B Any deposit as referred to in this Section shall be held by the Company to secure the payment of the Customer's bill. At the Company's option, the deposit may be refunded or credited to the Customer at any time prior to the termination of Service.
- 2.5.1.C Interest will be paid by the Company on all sums held on deposit at the rate established annually by the Florida Public Service Commission for customer deposits. The interest will be accrued for the period during which the deposit is held by the Company.

Issued: August 2, 1999
Issued by:

Theodore Solomon, President
Al-call, Inc.
101 Mercer Street
P.O. Box 2027
Alma, Georgia 31510

Effective:

INTRASTATE MESSAGE TELECOMMUNICATIONS SERVICE

2. Rules and Regulations - Intrastate Message Telecommunications Services (Cont'd)**2.5 Charges and Payments for Service or Facilities (Cont'd)****2.5.1 Deposits (Cont'd)**

2.5.1.D The fact that a deposit is made does not relieve the Customer from making advance payments or from complying with the Company's regulations for the payment of bills in accordance with the terms herein and does not constitute a waiver or modification of the regulations of the Company providing for the discontinuance of Service for nonpayment of any sums due the Company for Service rendered.

2.5.1.E Upon termination of Service, and assuming deposits of the Customer are not applied as indicated in Section 2.5.A.2, the deposit will be credited to the Customer's account and any credit balance will be refunded after all amounts due the Company have been paid.

2.5.2 Description of Payment and Billing Periods

2.5.2.A Service is provided and billed on a monthly basis. Service continues to be provided and billed on a monthly basis until canceled by the Customer through notice given to the Company.

2.5.2.B When billing functions are performed by a Local Exchange Carrier (LEC), commercial credit card company or others, the payment conditions and requirements of such LECs apply, including any applicable interest.

2.5.2.C In the event a Local Exchange Carrier, commercial credit card company or others ceases efforts to collect any amounts associated with the Company's charges, the Company may bill the Customer or the called party directly, and may utilize its own billing and collection procedures which shall be consistent with all applicable statutes, rules and regulations.

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2. Rules and Regulations - Intrastate Message Telecommunications Services (Cont'd)**2.5 Charges and Payments for Service or Facilities (Cont'd)****2.5.3 Taxes, Gross Revenue, Gross Income, and Gross Earnings Surcharges**

2.5.3.A Sales tax is covered by state statute and other applicable taxes may be covered by state or federal statutes. Such taxes may be included on Customer bills in accordance with any applicable rules of the state or federal regulatory authority.

2.5.3.B In addition to all recurring, non-recurring, minimum, usage, surcharges or special charges, the Customer identified in this Tariff shall also be responsible for and shall pay all applicable federal, state and local taxes or surcharges, including sales, use, excise, gross earnings, and gross income taxes. All such taxes shall be separately shown and charged on bills rendered by Company or its billing agent. Sales and use taxes shall be applied to all charges and shall also be applied to all applicable gross earnings, gross revenue and gross income taxes.

2.5.4 Payment and Late Payment Charge

2.5.4.A Payment will be due as specified on the Customer bill. Commencing after that due date, a late charge of up to the highest interest rate allowable by law will be applied to all amounts past due.

2.5.4.B Collection procedures and the requirement for a deposit are unaffected by the application of a late payment charge. The late payment charge does not apply to unpaid balances associated with disputed amounts. Undisputed amounts on the same bill are subject to the late payment charge if unpaid and carried forward to the next bill.

2.5.4.C Service may be denied or discontinued at the Company's discretion for nonpayment of amounts due the Company past the due date as specified in 2.5.4.A. Restoration of Service will be subject to all applicable installation charges.

2.5.5 Returned Check Charge

In cases where the Company issues direct bills to Customers, and payment by check is returned for insufficient funds, or is otherwise not processed for payment, there will be a charge as set forth herein. Such charge will be applicable on each occasion when a check is returned or not processed.

INTRASTATE MESSAGE TELECOMMUNICATIONS SERVICE

2. Rules and Regulations - Intrastate Message Telecommunications Services (Cont'd)**2.5 Charges and Payments for Service or Facilities (Cont'd)****2.5.6 Suspension or Termination for Nonpayment**

In the event of nonpayment of any bill rendered or any required deposit, the Company may, after written notice, suspend Service to the Customer.

2.5.7 Credit Allowances/Service Interruptions

2.5.7.A Credit for failure of Service will be allowed only when failure is caused by or occurs in the Company's facilities or equipment owned, provided and billed for by the Company. A credit allowance is not applicable for any period during which Customer cannot utilize the Service, except for such period where the Service is interrupted by the Company for access to its facilities for the purposes of investigating and clearing troubles and/or maintenance.

2.5.7.B Credit allowances for failure of Service or equipment starts when the Customer notifies the Company of the failure and ceases when the operation has been restored and an attempt has been made to notify the Customer by the Company.

2.5.7.C The Customer shall notify the Company of failures of Service or equipment and make reasonable attempts to ascertain that the failure is not caused by Customer Provided Equipment or Customer provided facilities, any act, or omission of the Customer, or in wiring or equipment connected to the Customer's terminal.

2.5.7.D Only those portions of the Service or equipment operation disabled will be credited.

2.5.7.E Any credit provided to the Customer under this Tariff shall be determined in accordance with the provisions of Section 2.5.8.

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P.O. Box 2027
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2. Rules and Regulations - Intrastate Message Telecommunications Services (Cont'd)**2.5 Charges and Payments for Service or Facilities (Cont'd)****2.5.8 Service Interruption Measurement**

2.5.8.A In the event of an interruption of Service that exceeds the minimum requirements set forth in this paragraph, the Company shall make a credit allowance at the Customer's request for a pro rata adjustment of all Service charges billed by the Company for Services rendered inoperative by the interruption. The credit allowance will be computed by dividing the duration of the service interruption measured in twenty-four (24) hour days, from the time the interruption is reported to the Company, by a standard thirty (30) day month, and then multiplying the result by the Company's fixed monthly charges for each interrupted Service.

2.5.8.B A credit allowance will not be given for interruptions caused by the negligence or willful act of the Customer, or interruptions caused by failure of equipment or service not provided by the Company.

2.6 Termination or Denial of Service by the Company

2.6.1 The Company may, immediately and without notice to the Customer, and without liability of any nature, temporarily deny, terminate, or suspend Service to any Customer:

2.6.1.A In the event such Customer or its agent: (a) willfully damages the Company equipment, interferes with use of the Company's Service by other Customers of the Company; (b) unreasonably places capacity demands upon the Company's facilities or Service; or (c) violates any statute or provision of law, or any rule or regulation of any state or federal regulatory agency relating to communications; or (d) otherwise fails to comply with the provisions of this Tariff or applicable law; or

2.6.1.B In the event a Customer becomes insolvent, is the subject of any formal legal proceeding commenced in a court involving a voluntary or involuntary petition or proceeding in bankruptcy, seeks protection or relief from creditors in a formal legal proceeding after a filing for such relief, or executes an assignment for the benefit of creditors; or

2.6.1.C In the event that the Company determines that any Service is being used fraudulently or illegally, whether by a Customer or its agent.

INTRASTATE MESSAGE TELECOMMUNICATIONS SERVICE

2. Rules and Regulations - Intrastate Message Telecommunications Services (Cont'd)**2.7 Special Services****2.7.1 General**

For the purpose of this Tariff, Special Services are deemed to be any Service requested by the Customer and provided by the Company for which there is no prescribed rate in this Tariff. Special Services charges will be developed on an individual case basis (ICB) and may be established by contract between the Company and the Customer. Such contract or ICB rates will be filed with the Commission for its approval if required by applicable rules and regulations.

2.7.2 When Applicable

Special Services rates apply in the following circumstances:

2.7.2.A If at the request of the Customer, the Company obtains facilities not normally used by the Company to provide Service to its Customer;

2.7.2.B If at the request of the Customer, the Company provides technical assistance not normally required to provide Service;

2.7.2.C Where special signaling, conditioning, equipment, or other features are required to make Customer Provided Equipment compatible with the Company's Service;

2.7.2.D When, at the specific request of the Customer, installation by the Company or its agent and/or routine maintenance is performed outside of the regular business hours.

2.7.2.E If installation and/or routine maintenance is extended beyond normal business hours at the request of the Customer and these circumstances are not the fault of the Company, Special Service charges may apply. Such circumstances include, but are not limited to, stand-by in excess of one hour, weekend, holiday or night time cut-over, and additional installation testing in excess of the normal testing required to provide Service.

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101 Mercer Street
P.O. Box 2027
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2. Rules and Regulations - Intrastate Message Telecommunications Services (Cont'd)**2.7 Special Services (Cont'd)****2.7.3 Cancellation**

If a Customer orders Service requiring special facilities dedicated to the Customer's use and then cancels its order before the Service begins, before completion of any minimum Service periods associated with such special facilities ordered by the Company or before completion of some other period mutually agreed upon by the Customer and the Company, a charge will be made to the Customer for the nonrecoverable portions of expenditures or liabilities incurred expressly on behalf of the Customer by the Company and not fully reimbursed by installation and monthly charges. If, based on such an order, any construction has either begun or been completed, but no such Service provided, the nonrecoverable cost of such construction shall be borne by the Customer.

2.8 Special Pricing Arrangements

Customized Service packages and competitive pricing arrangements at negotiated rates may be furnished on a case-by-case basis in response to requests by Customers for proposals or for competitive bids. Special Pricing Arrangements offered under this Tariff will be provided to the Customer pursuant to contract. Unless otherwise specified, the regulations for such arrangements are in addition to the applicable regulations and prices in other sections of the Tariff. Specialized rates or charges will be made available to similarly situated Customers on a non-discriminatory basis. Such contracts will be filed with the Commission for approval if required by applicable rule or regulation.

2.9 Special Construction

All rates and charges quoted in this Tariff provide for the furnishing of a Service when suitable facilities are available or where the construction of the necessary facilities does not involve unusual costs. When the revenue to be derived from the Service does not warrant the Company assuming the unusual costs of providing the necessary construction, the Customer may be required to pay all or a portion of such costs and to contract for the service for a sufficient period to warrant the construction, depending upon the circumstances in each case. The Company's charges for such special construction shall follow the same guidelines for establishing charges for Special Services as described in Section 2.8 of this Tariff.

2.10 Inspection, Testing and Adjustment

2.10.1 The Company may, upon reasonable notice, make such tests and inspections as may be necessary to investigate the installation, operation or maintenance of the Customer's or the Company's equipment or connecting facilities. The Company may interrupt Service at any time, without penalty or liability to itself, where necessary to prevent improper use of Service, equipment, facilities, or connections.

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101 Mercer Street
P.O. Box 2027
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Effective:

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2. Rules and Regulations - Intrastate Message Telecommunications Services (Cont'd)

2.10 Inspection, Testing and Adjustment (Cont'd)

2.10.2 Upon reasonable notice, the facilities and equipment provided by the Company shall be made available to the Company for such tests and adjustments as may be necessary for its maintenance in a condition satisfactory to the Company. No interruption allowance will be granted for the time during which such tests and adjustments are made, unless such interruption exceeds twenty-four (24) hours in length.

2.11 Directory Assistance, Operator and Toll Services

2.11.1. Directory assistance and operator services will not be provided by the Company as part of the Service furnished by the Company.

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INTRASTATE MESSAGE TELECOMMUNICATIONS SERVICE

3. General Classification and Description of the Company's Service - Intrastate Message Telecommunications Services**3.1 Service Points**

3.1.1 The Company provides originating Service from domestic points in the State of Florida to domestic points in the State of Florida.

3.1.2 The Company provides terminating service from domestic points in the State of Florida to domestic points in the State of Florida.

3.2 Measurements**3.2.1 Time-of-Day Rate Period**

Time-of-Day Rate Periods are reflected in the rate found in Section 4, herein.

3.2.2 Availability of Service

The Service is available at the rates listed in Section 4, through subscription to any of the domestic message telecommunication service offerings available from the Company. Each of these offerings utilize the same rate schedules but have different rates and billing increments for each of the rate schedules.

3.2.3 Holiday Rates

3.2.3.A During the following officially recognized holidays, Evenings Rates will be applicable during all hours, except for hours when a lower rate (i.e., Night/Weekend) is applicable.

New Year's Day
Memorial Day
Independence Day
Presidents' Day
Columbus Day

Labor Day
Thanksgiving Day
Christmas Day
Martin Luther King's Birthday
Veteran's Day

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3. General Classification and Description of the Company's Service - Intrastate Message Telecommunications Services (Cont'd)**3.3 Timing of Calls**

- 3.3.1 Unless otherwise indicated in this Tariff, calls are timed by the Company in sixty (60) second increments. "Ring-busy" and "ring-no-answer" calls will not knowingly be charged to the Customer and if charged in error, will be credited by the Company to the Customer. Timing begins at the "starting event" and ends at the "terminating event," unless otherwise specified. Time between the starting event and the terminating event is the call duration. The minimum call duration for a completed call is sixty (60) seconds, unless otherwise specified.
- 3.3.2 The starting event occurs when the Company's terminal experiences an "Incoming Signaling Protocol Successful," i.e., upon the seizure of an inbound trunk.
- 3.3.3 The terminating event occurs when the Company's terminal receives a signal from the Local Exchange Carrier that either the calling party or the called party has hung up.
- 3.3.4 There shall be no charge for unanswered calls. Upon receiving reasonable and adequate notice of billing from a Customer for any such call, the Company may issue a credit in an amount equal to the charge for the call. Calls which are in progress longer than one minute will be presumed to have been answered.
- 3.3.5 Intrastate Message Telecommunications Service rates may be quoted in terms of initial and additional minutes. The initial minute is the first minute or any fraction thereof after connection is made. The additional minute is each minute or any fraction thereof after the initial minute.
- 3.3.6 The time of day at the calling party rate center determines what Time-of-Day rate period applies.

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3. General Classification and Description of the Company's Service - Intrastate Message Telecommunications Services (Cont'd)**3.4 Computation of Distance**

- 3.4.1 All calls are rated on the basis of airline mileage locations of the caller's rate center and the called party's rate center, regardless of the call's routing.
- 3.4.2 Airline mileage is obtained by using the "V" and "H" coordinates assigned to each rate center. To determine the airlines distance between any two rate centers, the airline mileage is determined as follows:
 - 3.4.2.A Obtain the "V" and "H" coordinates for each rate center.
 - 3.4.2.B Obtain the difference between the "V" coordinates of each of the rate centers. Obtain the difference between the "H" coordinates.
 - 3.4.2.C Square each difference obtained in step 2, above.
 - 3.4.2.D Add the square of the "V" difference and the "H" difference obtained in step 3, above.
 - 3.4.2.E Divide the number obtained in step 4 by 10. Round to the next higher whole number if any fraction is obtained.
 - 3.4.2.F Obtain the square root of the whole number obtained in step 5 above. Round to the next higher whole number if any fraction is obtained. This is the airline mileage.

3.5 Method of Applying Rates

- 3.5.1 Calls that begin in one rate period and terminate in another will be billed at the rate applicable for each respective minute of the call.
- 3.5.2 Unless specified otherwise in this Tariff, the duration of each call for billing purposes will be rounded off to the nearest higher sixty (60) second increment.

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3. General Classification and Description of the Company's Service - Intrastate Message Telecommunications Services (Cont'd)**3.6 Promotional Discounts**

The Company may from time to time offer promotional discounts. Such discounts will be for a specified period of time, will not exceed published rates, and will be offered to all qualifying Customers on a non-discriminatory basis, under any rules prescribed by the Commission.

3.7 Dialed Intrastate Message Telecommunications Services

3.7.1 Dialed Intrastate Message Telecommunications Services are measured use, full time services and are offered on a monthly basis, utilizing intrastate communications facilities. When appropriate access arrangements exist, these switched services are available on a presubscription (Equal Access) basis. Otherwise, the Services require that a Customer access the Company's network via an alternative access code arrangement such as "950-XXXX" plus the Customer's security code, a toll-free "1-800" telephone number with the Customer's security code, or via "1-0-1-0-XXXX" code with Customer security code.

3.7.2 Depending upon the service option chosen by the Customer, the charges for the use of such domestic intrastate communications facilities may be based upon the time of day, the total minutes of use and/or the distance of each call.

3.7.3 All Customers shall be charged the rates identified in Section 4.

3.8 Calling Card Service

3.8.1 Calling Card Service permits Customers which have arranged for a Company-issued calling card to make calling card calls throughout the domestic United States through the use of a specific "1-800" telephone number provided by the Company. The rates for this service are provided for in Section 4, herein.

INTRASTATE MESSAGE TELECOMMUNICATIONS SERVICE

3. General Classification and Description of the Company's Service - Intrastate Message Telecommunications Services (Cont'd)3.9 800 Service

- 3.9.1 800 Service is a one-way inbound service originating on feature group facilities provided by the Company and terminating on a regular telephone line. The Customer is responsible for payment of all charges associated with such terminating calls rather than the calling party.
- 3.9.2 800 Service with PIN is a one-way inbound service originating on feature group facilities provided by the Company and terminating on a regular telephone line. The Customer is responsible for payment of all charges associated with such terminating calls rather than the calling party. 800 Service with PIN differs from the above service in that the calling party must enter a PIN before the call will be completed.

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3. General Classification and Description of the Company's Service - Intrastate Message Telecommunications Services (Cont'd)**3.10 Prepaid Calling Card Service**

3.10.1 The Prepaid Calling Card Service is offered by the Company and provides the Customer with access twenty-four hours a day, seven days a week to prepaid toll calls within the United States through a Company specified access code. Once made, the call is transferred via automated assistance for completion by the Company and charged against a prepaid card with an available balance on a unit basis. Each unit is equal to one minute. Customers are notified of their remaining card balance each time a call is placed and are notified during a call when the balance is about to be depleted. The card's access number, number of units, authorization code and expiration date are provided to the customer at the time of purchase.

3.10.2 Each fractional minute will be rounded up to the next minute. Each unit is priced at the prevailing rate as set forth in Section 4.5.5 herein. Each card will have a specified expiration date printed on the card within which all units must be used. Payment by the Customer for the Prepaid Calling Card Service is due in advance or upon receipt of the prepaid card. While the Company will not refund any unused units, the Company reserves the right to recall all unused Prepaid Calling Cards and refund to Customers any remaining balances on the recalled cards.

3.10.3 Prepaid Calling Card Service can be accessed through a touchtone telephone only.

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3. General Classification and Description of the Company's Service - Intrastate Message Telecommunications Services (Cont'd)**3.10 Prepaid Calling Card Service (Cont'd)**

- 3.10.4 Prepaid calling cards may be purchased in dollar amounts determined by the Company on a rate per unit basis determined by the Company, subject to availability. The number of available Prepaid Calling Cards is subject to technical limitations. Such cards are offered to Customers on a first come, first serve basis.
- 3.10.5 Calls to 500, 700, 800, and 900 numbers, all operator services calls, directory assistance, busy line verification and interrupt services, calls requiring the quotation of time and charges and conference calls may not be completed with the Company's Prepaid Calling Card Service.
- 3.10.6 The Customer assumes complete liability for the card in the event it is lost, stolen or if unauthorized use of the card has occurred.
- 3.10.7 Unless specifically noted to the contrary, calls made utilizing a prepaid calling card are independent of any other product, promotion or term plan offered by the Company.

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4. Rates for Intrastate Message Telecommunications Service4.1 Returned Check Charge

A return check charge of \$25.00 will be assessed for checks returned for insufficient funds if the face value does not exceed \$50.00, \$30.00 if the face value does exceed \$50.00 but does not exceed \$300.00, \$40.00 if the faces value exceeds \$300.00 or 5% of the value of the check, whichever is greater.

4.2 Rate Schedules: All Points in the State of Florida4.2.1 Schedule 10 Plan

Rates for Direct Dialed Intrastate Message Telecommunications services for all points in the State of Florida. This plan has a \$5.00 non-discountable monthly fee per line. The rates are as follows:

4.2.1.A Residence \$0.10/minute All Day, Monday-Sunday

4.2.1.B Business \$0.10/minute All Day, Monday-Sunday

4.2.2 Weekend Plan

Rates for Direct Dialed Intrastate Message Telecommunications services for all points in the State of Florida. The rates are as follows:

4.2.2.A Residence \$0.25/minute All Day, Monday-Friday
 \$0.05/minute All Day, Saturday and Sunday

4.2.2.B Business \$0.25/minute All Day, Monday-Friday
 \$0.05/minute All Day, Saturday and Sunday

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4. Rates for Intrastate Message Telecommunications Service (Cont'd)4.4 Prepaid Calling Card Service4.4.1 Description

Prepaid Calling Card Service provides an outbound voice grade communications service for calls charged to a Al-call, Inc. Prepaid Calling Card.

4.4.2 Exclusions

The following call types may not be completed with the Prepaid Calling Card:

- Calls to 700 numbers
- Calls to 800 numbers
- Calls to 900 numbers
- Directory Assistance Calls
- All Operator Services Calls
- Conference Calls
- Calls requiring the quotation of time and charges
- International calls

Except as may be specifically referenced therein, calls made utilizing the Prepaid Calling Card Service are not included in any specialized service offerings or promotions.

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4. Rates for Intrastate Message Telecommunications Service (Cont'd)4.4 Prepaid Calling Card Service (Cont'd)4.4.3 Availability of Service

Service is available twenty-four hours a day, seven days a week. The number of available Prepaid Calling Cards is subject to technical limitations. Such cards will be offered to Customers on a first-come first-served basis.

4.4.4 Regulations

In addition to the general rules and regulations set forth in this Tariff, the following regulations also apply:

The Prepaid Calling Card is accessed using the 800 number printed on the card;

All calls must be charged against the Prepaid Calling Card that has a sufficient available balance;

A Customer's call will be interrupted with an announcement when the balance is about to be depleted; such an announcement will occur one minute before the balance will be depleted, based on the termination location of the call;

Calls in progress will be terminated by the Company if the balance on the card is insufficient to continue the call.

4.4.5 Rates and Charges

The rates for Prepaid Calling Card Service are listed below:

Per Minute of Use	\$0.039
Maintenance Fee, per call	\$0.25
Connection Fee, per call	\$0.59
Payphone Surcharge, if applicable	\$0.50

A surcharge of 3% of the total call will also apply.

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4. Rates for Intrastate Message Telecommunications Service (Cont'd)4.5 800 Service4.5.1 Description

800 Service is a common-line inward telecommunications service allowing a station to receive long distance calls without charge to the caller.

4.5.2 Rates and Charges

There is a one-time charge for establishing 800 Service and a monthly subscription charge, as well as per-minute usage charges for all calls received. For an additional per-message charge, customers can receive a monthly message detail listing all telephone calls received.

4.5.3 One-time charge for establishing service

\$15.00

4.5.4 Monthly recurring subscription charge

\$2.50*

4.5.5 Per-minute usage charges

<u>Rate Period</u>	<u>Per-Minute Charge</u>
Peak	\$0.21
Off-Peak	\$0.17

4.5.6 Message Detail Option

\$0.02 per message

4.5.7 800 Service with Personal Identification Number (PIN)

<u>Rate Period</u>	<u>Per-Minute Charge</u>
Peak	\$0.24
Off-Peak	\$0.20

*If the 800 Service customer is also a 1 (+) presubscribed customer, the 800 Service monthly subscription charge will be waived.

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4. Rates for Intrastate Message Telecommunications Service (Cont'd)4.5 800 Service (Cont'd)4.5.8 Promotional Rates

Company may offer discounted promotional rates for 800 Service which may include discounting or waiving the one-time service establishment charge, discounting or waiving the monthly service charge, discounting or waiving the message-detail charge, or discounting the Peak Period per minute usage charge.

4.6 Late Payment Charges

Interest charges of 1.5% per month will be assessed on all unpaid balances more than thirty days old.

4.7 Special Promotions

The company will, from time to time, offer special promotions to its customers waiving certain charges. These promotions will be approved by the FPSC with specific starting and ending dates.

4.8 Special Rates for the Handicapped4.8.1 Telecommunications Relay Service

For intrastate toll calls received from the relay service, the Company will when billing relay calls discount relay service calls by 50 percent off of the otherwise applicable rate for a voice nonrelay call except that where either the calling or called party indicates that either party is both hearing and visually impaired, the call shall be discounted 60 percent off of the otherwise applicable rate for a voice nonrelay call. The above discounts apply only to time-sensitive elements of a charge for the call and shall not apply to per call charges such as a credit card surcharge.