Florida's Best Local Newspapers

SUN COAST MEDIA GROUP, INC.

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Venice, FL 34285
(941) 484-2611

ENGLEWOOD SUN HERALD
167 W. Dearborn St.
Englewood, FL 34223
(941) 474-5521

NORTH PORT SUN HERALD
13644 S. Tamiami Tr.
North Port, FL 34287
(941) 426-9544

DESOTO SUN HERALD
207 W. Oak St.
Arcadia, FL 33821
(941) 494-2434

PUNTA GORDA HERALD
216 Taylor St.
Punta Gorda, FL 33950
(941) 639-2151

200 E. VENICE AVENUE • VENICE, FLORIDA 34285 • e-mail:http://www.sunline.net • PHONE: (941) 484-2611 • FAX: (941) 485-3036

October 1,1999

Via Federal Express

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

991495-TX

RE: Application of The Ultimate Connection, L.C. for Authorization to Provide Alternative Local Exchange Service within the State of Florida

Dear Ms. Bayo:

Enclosed please find an original and six (6) copies of Application Form for the Authority to Provide Alternative Local Exchange Service within the State of Florida by The Ultimate Connection, L.C. Also enclosed is the requisite $250.00 filing fee.

Please acknowledge receipt of this filing by returning a date stamped copy of this letter in the self-addressed envelope provided.

Thank you for your assistance. Please call with any questions.

Very truly yours,

Derek Dunn-Rankin

The Ultimate Connection, L.C.
By: Sun Coast Media Group, Inc.-Managing Member
By: Derek Dunn-Rankin, President

** **FLORIDA PUBLIC SERVICE COMMISSION** **

DIVISION OF TELECOMMUNICATIONS
BUREAU OF CERTIFICATION AND SERVICE EVALUATION

APPLICATION FORM for AUTHORITY TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE WITHIN THE STATE OF FLORIDA

991495-TX

Instructions

- This form is used as an application for an original certificate and for approval of the assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Appendix A).

- Print or type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.

- Use a separate sheet for each answer which will not fit the allotted space.

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

  Florida Public Service Commission
  Division of Records and Reporting
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6770

- If you have questions about completing the form, contact:

  Florida Public Service Commission
  Division of Telecommunications
  Bureau of Certification and Service Evaluation
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6600

FORM PSC/CMU 8 (11/95)
Required by Commission Rule Nos. 25-24.805, 25-24.810, and 25-24.815

APPLICATION

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

   (X) **Original certificate** (new company).

   ( ) **Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.

   ( ) **Approval of assignment of existing certificate:** Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

   ( ) **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:

   THE ULTIMATE CONNECTION, L.C.

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

   THE ULTIMATE CONNECTION

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

   23170 HARBORVIEW ROAD

   PORT CHARLOTTE, FL 33980

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

   23170 HARBORVIEW ROAD

   PORT CHARLOTTE, FL 33980

6. Structure of organization:

( ) Individual ( ) Corporation
( ) Foreign Corporation ( ) Foreign Partnership
( ) General Partnership ( ) Limited Partnership
(X) Other LIMITED LIABILITY COMPANY

7. **If individual,** provide:

Name:__________

Title:__________

Address:__________

City/State/Zip:__________

Telephone No.:__________ **Fax No.:**__________

Internet E-Mail Address:__________

Internet Website Address:__________

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

   (a) **The Florida Secretary of State** L.C.C **registration number:**

   L99000006226

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

   (a) **The Florida Secretary of State corporate registration number:**

   N/A

10. **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:**

    APPLIED FOR

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

(a) **The Florida Secretary of State registration number:**

N/A

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

Name:

Title:

Address:

City/State/Zip:

Telephone No.: **Fax No.:**

Internet E-Mail Address:

Internet Website Address:

13. **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

14. Provide **F.E.I. Number**(if applicable): 65-0950738

15. 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. Provide explanation.

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

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

(a) The application:

Name: DEREK DUNN-RANKIN

Title: PRESIDENT, SUN COAST MEDIA GROUP, INC.-SOLE MANAGING MEMBER

Address: 23170 HARBORVIEW ROAD

City/State/Zip: PORT CHARLOTTE, FL 33980

Telephone No.: 941-255-8103 **Fax No.:** 941-629-2085

Internet E-Mail Address: derekdr@Sunline.net

Internet Website Address: N/A

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

Name: DEREK DUNN-RANKIN

Title: PRESIDENT, SUN COAST MEDIA GROUP, INC.-SOLE MANAGING MEMBER

Address: 23170 HARBORVIEW ROAD

City/State/Zip: PORT CHARLOTTE, FL 33980

Telephone No.: 941-255-8013 **Fax No.:** 941-629-2085

Internet E-Mail Address: derekdr@Sunline.net

Internet Website Address:

(c) Complaints/Inquiries from customers:

Name: DEREK DUNN-RANKIN

Title: PRESIDENT, SUN COAST MEDIA GROUP, INC.-SOLE MANAGING MEMBER

Address: 23170 HARBORVIEW ROAD

City/State/Zip: PORT CHARLOTTE, FL 33980

Telephone No.: 941-255-8103 Fax No.: 941-629-2085

Internet E-Mail Address: derekdr@SUNLINE.NET

Internet Website Address:

17. List the states in which the applicant:

(a) has operated as an alternative local exchange company.

NONE

(b) has applications pending to be certificated as an alternative local exchange company.

NONE

(c) is certificated to operate as an alternative local exchange company.

NONE

(d) has been denied authority to operate as an alternative local exchange company and the circumstances involved.

NONE

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

NONE

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

NONE

18. 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. <u>written explanation</u> that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

2. <u>written explanation</u> that the applicant has sufficient financial capability to maintain the requested service.

3. <u>written explanation</u> 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.

The Ultimate Connection, L.C.

Question 18.

A. The Ultimate Connection, L.C. is a wholly owned subsidiary of Sun Coast Media Group, Inc. The parent company will capitalize the Ultimate Connection, L.C. with such funds in the form of debt and equity to reasonably operate as an ALEC in the state of Florida.

1./2./3.-With the capitalization by Sun Coast Media Group (the parent company) referenced above, The Ultimate Connection, L.C. is financially capable to provide the requested service in the geographic areas proposed and will be able to maintain such services and meet any and all lease or ownership obligations. This is evidenced by the three-(3) years of audited financial statements attached as Exhibit A. In addition to the financial resources demonstrated by these financial statements, the company as credit facilities available from First Union National Bank-Florida of up to $5.5 million.

B. Managerial Capability: Managerial Profiles of key officers are included as Exhibit B.

C. Technical Capability: The company has retained the services of Jules Ghyselinck and Associates to assist in the implementation of the company's business plan. A profile of Mr. Ghyselinck outlining his 48 years of telecommunications experience is included as Exhibit C.

** 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 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:

Doris Dunn-Rankin — OCTOBER 1, 1999

Signature — Date

PRESIDENT, SUN COAST MEDIA GROUP, INC. — 941-255-8103

Title SOLE MANAGING MEMBER — Telephone No.

Address: 23170 HARBORVIEW ROAD — 941-629-2085

Fax No.

PORT CHARLOTTE, FL 33980

ATTACHMENTS:

- CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT
- INTRASTATE NETWORK
- AFFIDAVIT

**** APPENDIX A ****

CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT

I, (Name) N/A ________________________________,

(Title)______________________________ of (Name of Company)

____

and current holder of Florida Public Service Commission Certificate Number # ________

______________, have reviewed this application and join in the petitioner's request for a:

( ) sale

( ) transfer

( ) assignment

of the above-mentioned certificate.

UTILITY OFFICIAL:

______________________________ ______________
Signature Date

______________________________ ______________
Title Telephone No.

Address: ______________________________ ______________
Fax No.

____

____

FORM PSC/CMU 8 (11/95)
Required by Commission Rule Nos. 25-24.805, 25-24.810, and 25-24.815

**** APPENDIX B ***

INTRASTATE NETWORK (if available)

Chapter 25-24.825 (5), Florida Administrative Code, requires the company to make available to staff the alternative local exchange service areas only upon request.

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

   1) N/A ______ 2) ______

   ______ ______

   3) ______ 4) ______

   ______ ______

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

   1) N/A ______ 2) ______

   ______ ______

   3) ______ 4) ______

   ______ ______

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

POP-to-POP	OWNERSHIP
1) N/A	
2)	
3)	
4)	

**** APPENDIX C ****

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:

Doug Dann-Bartz

Signature

OCTOBER 1, 1999

Date

PRESIDENT, SUN COAST MEDIA GROUP, INC.

Title SOLE MANAGING MEMBER

941-255-8103

Telephone No.

Address: 23170 HARBORVIEW ROAD

PORT CHARLOTTE, FL 33980

941-629-2085

Fax No.

The Ultimate Connection, L.C.
3 Years Audited Financial Statements
Sun Coast Media Group, Inc.
Sole Managing Member

Exhibit A

NATHERSON & COMPANY, P.A.
Certified Public Accountants

1801 Glengary Street
Sarasota, Florida 34231
(941) 923-1881
Fax 923-0065

544 Bay Isles Road
Longboat Key, Florida 34228
(941) 387-8555

245 N. Tamiami Trail, Suite D
Venice, Florida 34285
(941) 486-1881

Members
American Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants
Division for CPA Firms, AICPA
Private Companies Practice
SEC Practice Sections

Russell S. Natherson, C.P.A.
Patrick L. Gallagher, C.P.A.
Russell E. Natherson, C.P.A.

Independent Auditors' Report

Board of Directors and Stockholders
Sun Coast Media Group, Inc.

We have audited the accompanying balance sheets of Sun Coast Media Group, Inc. as of May 30, 1999 and May 31, 1998, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sun Coast Media Group, Inc. as of May 30, 1999 and May 31, 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Natherson & Company, P.A.

Sarasota, Florida
June 23, 1999

Sun Coast Media Group, Inc.

BALANCE SHEETS

May 30, 1999 and May 31, 1998
(In thousands)

ASSETS	1999	1998
CURRENT ASSETS		
Cash and cash equivalents	$ 547	$ 266
Accounts receivable - trade, less allowance for doubtful accounts of $112 in 1999 and $123 in 1998	2,427	2,405
Employee loans	20	61
Other receivables	249	133
Newsprint, ink and plate inventories	192	166
Prepaid expenses	220	198
Deferred income tax benefits	202	172
Total current assets	3,857	3,401
PROPERTY AND EQUIPMENT		
Buildings and improvements	3,379	3,292
Equipment	5,880	5,986
	9,259	9,278
Less accumulated depreciation	4,479	4,243
	4,780	5,035
Land	1,417	1,417
	6,197	6,452
OTHER ASSETS		
Investment in affiliate	84	79
Circulation lists and contracts, less accumulated amortization of $1,350 in 1999 and $1,272 in 1998	-	78
Non-compete agreement, less accumulated amortization of $100 in 1999 and $94 in 1998	-	6
Loan costs, less accumulated amortization of $135 in 1999 and $118 in 1998	72	89
Goodwill, less accumulated amortization of $773 in 1999 and $720 in 1998	204	257
	360	509
	$ 10,414	$ 10,362

The accompanying notes are an integral part of these statements.

LIABILITIES AND EQUITY	1999	1998
CURRENT LIABILITIES		
Current maturities of long-term obligations	$ 256	$ 263
Trade accounts payable	422	635
Other payables	150	160
Payroll, property and sales taxes payable	101	120
Accrued payroll and benefits	584	459
Accrued expenses	308	359
Deferred subscription revenue	1,222	1,086
Total current liabilities	3,043	3,082
LONG-TERM OBLIGATIONS, less current maturities	3,144	3,444
DEFERRED INCOME TAXES	429	393
STOCKHOLDERS' EQUITY		
Contributed capital		
Common stock, class A (non-voting) - authorized 800,000 shares in 1999 and 400,000 in 1998 at $.20 par value; issued and outstanding, 535,436 in 1999 and 267,861 in 1998	107	54
Common stock, class B (voting) - authorized 200,000 shares in 1999 and 100,000 in 1998 at $.20 par value; issued and outstanding, 108,282 in 1999 and 54,153 in 1998	22	11
Additional paid-in capital	1,431	1,660
Retained earnings	2,733	2,254
	4,293	3,979
Stock subscriptions receivable	(495)	(536)
	3,798	3,443
	$ 10,414	$ 10,362

Sun Coast Media Group, Inc.

STATEMENTS OF INCOME

Years Ended May 30, 1999 and May 31, 1998
(In thousands)

	1999	1998
Revenues		
Advertising	$ 18,026	$ 16,949
Circulation	4,428	4,134
Commercial printing	1,009	1,011
Internet	1,416	1,092
Other	51	61
	24,930	23,247
Expenses		
Payroll	8,986	8,431
Insurance, payroll taxes and other benefits	1,975	1,665
Newsprint and printing	4,213	4,046
Distribution	2,537	2,486
Rent, utilities and maintenance	1,156	942
Other operating expenses	3,611	3,763
Depreciation and amortization	1,042	918
	23,520	22,251
Income from operations	1,410	996
Other income (expense)		
Interest and other income	84	95
Equity in loss of affiliate	(100)	(21)
Interest expense	(309)	(338)
	(325)	(264)
Income before income taxes	1,085	732
Provision for income taxes		
Current	536	304
Deferred	6	24
	542	328
NET INCOME	$ 543	$ 404

The accompanying notes are an integral part of these statements.

Sun Coast Media Group, Inc.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended May 30, 1999 and May 31, 1998
(In thousands)

	Common stock Class A		Common stock Class B	
	Shares	Amount	Shares	Amount
Balance - June 1, 1997	262	$ 52	54	$ 11
Sale of stock	4	1	-	-
Collection of stock subscriptions	-	-	-	-
Exercise of stock options	5	1	-	-
Retirement of stock	(3)	-	-	-
Net income for the year	-	-	-	-
Balance - June 1, 1998	268	54	54	11
Sale of stock	-	-	-	-
Exercise of stock options by majority stockholder and relative	5	1	-	-
Exercise of stock options by employees	4	1	-	-
Retirement of stock from majority stockholder and family member net of income tax benefit	(5)	(1)	-	-
Retirement of stock from employees	(7)	(1)	(1)	-
Stock split in the form of a stock dividend	266	53	54	11
Sale of stock	7	1	1	-
Retirement of stock	(3)	(1)	-	-
Collection of stock subscriptions	-	-	-	-
Net income for the year	-	-	-	-
	535	$ 107	108	$ 22

The accompanying notes are an integral part of these statements.

Additional paid-in capital	Retained earnings	Stock subscriptions receivable	Total stockholders' equity
$ 1,530	$ 1,850	$ (445)	$ 2,998
229	-	(201)	29
-	-	70	70
80	-	-	81
(179)	-	40	(139)
-	404	-	404
1,660	2,254	(536)	3,443
25	-	-	25
114	-	-	115
78	-	-	79
(201)	-	-	(202)
(356)	-	108	(249)
-	(64)	-	-
194	-	(165)	30
(83)	-	25	(59)
-	-	73	73
-	543	-	543
$ 1,431	$ 2,733	$ (495)	$ 3,798

Sun Coast Media Group, Inc.

STATEMENTS OF CASH FLOWS

Years ended May 30, 1999 and May 31, 1998
(In thousands)

	1999	1998
OPERATING ACTIVITIES		
Net income	$ 543	$ 404
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	1,042	918
Provision for deferred income taxes	6	24
Equity in loss of affiliate	100	21
Changes in operating assets and liabilities:		
Trade and other accounts receivable	(40)	(212)
Newsprint, ink and plate inventories	(26)	25
Prepaid expenses	(22)	(41)
Trade and other accounts payable	(51)	62
Accrued expenses	(51)	81
Deferred subscription revenue	136	46
Total adjustments	1,094	924
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,637	1,328
INVESTING ACTIVITIES		
Acquisition of property and equipment	(699)	(1,119)
Acquisition of land	-	(42)
Investment in affiliate	(105)	(100)
NET CASH (USED IN) INVESTING ACTIVITIES	(804)	(1,261)
FINANCING ACTIVITIES		
Payment of loan costs	-	(30)
Principal payments on long-term obligations	(307)	(393)
Proceeds from stock subscriptions receivable	73	70
Proceeds from sale of common stock	249	110
Retirement of common stock	(567)	(139)
NET CASH (USED IN) FINANCING ACTIVITIES	(552)	(382)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	281	(315)
Cash and cash equivalents at beginning of year	266	581
Cash and cash equivalents at end of year	$ 547	$ 266

The accompanying notes are an integral part of these statements.

Sun Coast Media Group, Inc.

NOTES TO FINANCIAL STATEMENTS

May 30, 1999 and May 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Business Activities and Concentration of Credit Risk

The Company publishes, prints and distributes newspapers and other print media products in Southwest Florida. In 1996, the Company commenced operations as an Internet access provider. The Company extends credit terms to commercial enterprises for display advertising and to both commercial enterprises and the general public for classified advertising. The Company collects fees in advance from both its newspaper subscription and Internet access customers. Trade accounts receivable consists principally of display and classified advertising receivables. The Company uses the allowance method of accounting for doubtful accounts. The year-end balance is based on historical collections and management's review of the current status of existing receivables and estimate as to their collectibility.

2. Accounting Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

3. Inventories

Inventories are stated at the lower of cost or market using the last-in, first-out (LIFO) method of determining cost.

4. Property and Equipment

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over estimated useful lives ranging from three to thirty-nine years principally on accelerated methods for tax purposes and the straight-line method for financial reporting purposes. Major renewals, betterments and replacements are capitalized. Maintenance and repairs are charged to expense as incurred.

5. Circulation Lists and Contracts

Circulation lists are amortized by the straight-line method over the ten year estimated useful lives of the underlying subscriptions.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Non-Compete Agreement

The agreement not to compete is amortized to operations by the straight-line method over the ten year life of the agreement.

7. Loan Costs

Loan costs are amortized by the straight-line method over the terms of the respective loans.

8. Goodwill

Goodwill is amortized by the straight-line method over the estimated useful lives ranging from fifteen to twenty years.

9. Revenue Recognition

Advertising revenues are recorded when advertisements are published in the newspaper and circulation revenues are recorded as newspapers are delivered over subscription terms. Deferred revenues represent prepaid subscriptions, which are earned pro rata on a monthly basis. Costs in connection with the procurement of subscriptions are charged to expense as incurred.

10. Fiscal Year

The Company has elected to use a fifty-two, fifty-three week fiscal year ending on the Sunday nearest to May 31.

11. Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents for purposes of the statements of cash flows. The Company maintains its cash accounts at commercial banks. Total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000 per bank. A summary of total insured and uninsured amounts held at banks at May 30, 1999 follows:

	(In thousands)
Total cash held per banks	$ 1,241
Portion secured by FDIC	101
Uninsured cash balances	$ 1,140

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Stock Options

The Company accounts for compensation cost related to employee stock options in accordance with the requirements of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"). APB 25 requires compensation cost for stock-based compensation plans to be recognized based on the difference, if any, between the fair market value of the stock on the date of grant and the option exercise price. In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"). SFAS 123 established a fair value based method of accounting for compensation cost related to stock options and other forms of stock-based compensation plans. SFAS 123 allows an entity to continue to measure compensation cost using the principles of APB 25. The Company is subject to pro forma disclosure requirements of SFAS 123 for options granted in fiscal years beginning after December 15, 1995.

NOTE B - RELATED PARTY TRANSACTIONS

In connection with the purchase of the assets of Charlotte Printing Company, the Company acquired a $55,000 note receivable from the Company's majority stockholder. In June 1998, the majority stockholder repaid the note plus interest.

The Company has guaranteed bank loans to certain key employees, the proceeds of which were used to exercise options to acquire common stock. The notes, aggregating $154,000 at May 30, 1999, require monthly interest payments from the key employees at the prime interest rate through maturity on April 30, 2000. The shares of stock acquired through exercise of the options are held by the bank under a collateral pledge and assignment agreement.

During 1999, the Company purchased a split-dollar insurance policy with a face amount of $2,250,000 for the benefit of the majority stockholder. The economic benefits resulting from the premiums paid by the Company, totaling $17,040, were reimbursed by the majority stockholder.

NOTE C - STOCK SUBSCRIPTIONS RECEIVABLE

Stock subscriptions receivable consist of 5% and 6% notes receivable from certain key employees. Generally, principal and interest is payable weekly based on a ten year amortization with the remaining principal due five years after the note date for subscriptions issued after 1990. During the year ended May 30, 1999, the Company issued 7,830 shares of Class A common stock and 870 shares of Class B common stock for stock subscription notes of $165,112 and cash of $55,207. During the year ended May 31, 1998, the Company issued 4,468 shares of Class A common stock and 496 shares of Class B common stock for stock subscription notes of $201,333 and cash of $29,173.

NOTE C - STOCK SUBSCRIPTIONS RECEIVABLE - CONTINUED

A summary of aggregate maturities of stock subscription notes receivable after May 30, 1999 follows:

Fiscal Year	(In thousands)
2000	$ 107
2001	47
2002	110
2003	35
2004	196

At May 31, 1998, the Company's majority stockholder owed $3,796 for outstanding stock subscriptions, which were repaid during 1999.

NOTE D - INVESTMENT IN AFFILIATE

In February 1998, the Company acquired a 50% ownership interest in Gulf Coast Review, Inc. a Florida corporation for $100,000. During 1999, the Company and the other owner invested an additional $105,000 each. The Company does not actively participate in the operations of the affiliate and the investment is accounted for using the equity method. The Company is not obligated to advance additional funds.

Pertinent financial information for Gulf Coast Review, Inc. as of May 30, 1999 and May 31, 1998 is as follows:

(In thousands)	1999	1998
Balance Sheet		
Assets	$ 85	$ 126
Liabilities	$ 15	$ 68
Equity	70	58
	$ 85	$ 126
Income Statement		
Revenues	$ 220	$ 22
Expenses	420	64
Net loss	(200)	(42)
	50 %	50 %
Company's share of net loss	$ (100)	$ (21)

NOTE E - LONG-TERM OBLIGATIONS

The Company's long-term obligations at May 30, 1999 and May 31, 1998 are summarized as follows:

	(In thousands) 1999	1998
Notes payable to a bank	$ 3,400	$ 3,700
Non-compete obligation payable	-	7
	3,400	3,707
Less current maturities	256	263
	$ 3,144	$ 3,444

Notes Payable to a Bank

In January 1998, the Company amended and restated its revolving credit and term loan agreement with a bank. The restated revolving note provides for a maximum borrowing of $4,250,000 and requires interest payable quarterly at 2% above LIBOR (London Interbank Offered Rate - 5.0425% at May 30, 1999) through maturity in November 2003. At May 30, 1999, $2,250,000 of principal was outstanding. The note is collateralized by substantially all of the Company's assets and a pledge of at least 51% of the Company's outstanding voting and non-voting stock. The Company is obligated to pay an annual commitment fee of .75% on the unused revolving credit amount. The agreement requires, among other things, that the Company maintain certain minimum financial ratios and restricts the Company's ability to declare dividends, redeem stock or make other distributions to stockholders without the bank's prior approval.

In 1994, the Company borrowed $2,000,000 from the bank pursuant to a revolving credit and term loan agreement. The borrowing was made to finance the retirement of stock. In January 1998, the Company borrowed an additional $580,000 to refinance a note payable to a corporation. In connection with that borrowing, the Company executed a fourth amendment dated January 23, 1998 reducing the term loan note amount to $1,597,500 and modified certain financial ratio requirements. The note is payable in increasing scheduled semi-annual payments, plus interest payable quarterly at the prime rate (7.75% at May 30, 1999) through maturity in November 2002. At May 30, 1999, $1,150,000 of principal was outstanding. The note is cross-collateralized with the revolving credit line to the bank.

NOTE E - LONG-TERM OBLIGATIONS

Non-Competition Obligation Payable

The non-compete obligation is payable $2,500 quarterly, without interest through January, 1999.

A summary of aggregate maturities of long-term obligations for the five years after May 30, 1999 follows:

Fiscal Year	(In thousands)
2000	$ 256
2001	288
2002	415
2003	1,316
2004	1,125

NOTE F - COMMON STOCK

On September 21, 1998, the Company's Board of Directors declared a two for one stock split to shareholders of both Class A and Class B common stock as of February 28, 1999. The par value remained unchanged at $.20 per share. Accordingly, the par value of the additional shares issued was transferred from retained earnings to Class A and Class B common stock.

On September 22, 1998, the shareholders approved an amendment to the Articles of Incorporation of the Company, increasing the number of authorized shares of Class A common stock from 400,000 to 800,000 shares and Class B common stock from 100,000 to 200,000 shares. The par value of the Class A and Class B common stock remained unchanged at $.20 per share.

NOTE G - INCOME TAXES

Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this "liability" method, deferred tax assets and liabilities are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities by applying enacted statutory rates applicable to future years in which the differences are expected to reverse.

The Company has recognized a deferred tax asset for these temporary differences which are available to offset future income tax liabilities. A valuation allowance is not provided to reduce these deferred tax assets as management believes the amounts will be fully realized as a reduction of taxable income of future years.

NOTE G - INCOME TAXES - CONTINUED

The provision for income taxes charged to operations is as follows:

	(In thousands) 1999	1998
Federal		
Current	$ 466	$ 274
Deferred	5	22
Total	471	296
State		
Current	70	30
Deferred	1	2
Total	71	32
	$ 542	$ 328

Deferred tax assets and liabilities are summarized as follows:

	(In thousands) 1999	1998
Deferred tax assets:		
Doubtful accounts	$ 44	$ 46
Obsolescence reserve	4	5
Expense accruals	154	121
	$ 202	$ 172
Deferred tax liabilities:		
Depreciation	$ 429	$ 393

NOTE H - COMMITMENTS AND CONTINGENCIES

1. Stock Options

The Company has a non-qualified stock option plan available to key employees. The Board of Directors may, in their discretion, award options for up to 20,000 shares of Class A common stock per year. No options were granted after September 1995. At May 30, 1999, options for 34,000 shares were outstanding as follows:

NOTE H - COMMITMENTS AND CONTINGENCIES - CONTINUED

1. Stock Options - Continued

Expiring in Fiscal Year	Shares	Price per Share
2000	13,000	$ 8.75
2002	11,000	12.50
2003	6,000	15.50
2004	4,000	17.50

In 1999, the majority stockholder and a member of his family exercised options for the purchase of 5,200 shares of Class A common stock for $115,000. These shares were subsequently redeemed by the Company for $259,480. The $144,480 difference between the option exercise price and the redemption price is reported as employee wages for income tax purposes. For financial statement purposes, the transactions are reported as capital transactions and do not enter into the determination of net income. However, the tax benefit arising from the Company's ability to deduct the amount reported as employee wages for income tax purposes of approximately $57,000 has been credited to additional contributed capital.

2. Operating Leases

The Company conducts a portion of its operations in leased facilities generally under cancelable lease agreements principally on a month-to-month basis. Rent expense under operating leases was approximately $70,500 and $73,100 for 1999 and 1998, respectively.

3. Employee Retirement Savings Plan

The Company sponsors a retirement savings plan for substantially all of its full-time employees. Employees may contribute up to ten percent (10%) of their gross wages to the plan. The plan provides for a Company match of thirty percent (30%) of the amount contributed by employees up to a maximum of $500 per employee. The Company's contribution vests ratably over a six (6) year period and was $66,091 and $53,144 in 1999 and 1998, respectively.

NOTE H - COMMITMENTS AND CONTINGENCIES - CONTINUED

4. Purchase Commitment

The Company has committed to purchase, at a vendor's announced price, a minimum tonnage of newsprint during the following calendar years:

Calendar year	Short tons
1999	6,600
2000	7,000
2001	7,300

5. Litigation

The Company is a party to litigation arising in the ordinary course of business. In addition, the Company has been named as a defendant in a sexual harassment claim in Federal District Court. The Company is vigorously defending itself and, in the opinion of management, the ultimate outcome of these actions will not have a material effect on the Company's financial condition.

6. Self-insurance Program

The Company is self-insured with respect to its employee group health benefit plan. The Company has stop loss insurance which limits the Company's maximum loss to $35,000 per insured claim to a maximum aggregate loss of approximately $794,000 per plan year based on current employment levels. Management believes they have adequately provided for all claims incurred in the accompanying financial statements. At May 31, 1999, the Company has accrued approximately $216,000 for estimated claims incurred but not paid.

NOTE I - SUPPLEMENTAL CASH FLOW INFORMATION

	(In thousands) 1999	1998
Cash paid during the year for interest	$ 310	$ 343
Cash paid during the year for income taxes	523	338
Non-cash investing and financing activities:		
Stock issued for stock subscription notes receivable	165	201
Stock retired upon cancellation of stock subscriptions receivable	133	40
Refinance of note payable to a corporation	-	580

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Independent Auditors' Report

Board of Directors and Stockholders
Sun Coast Media Group, Inc.

We have audited the accompanying balance sheets of Sun Coast Media Group, Inc. as of May 31, 1998 and June 1, 1997, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sun Coast Media Group, Inc. as of May 31, 1998 and June 1, 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Natherson & Company, P.A.

Sarasota, Florida
June 19, 1998

Sun Coast Media Group, Inc.

BALANCE SHEETS

May 31, 1998 and June 1, 1997
(In thousands)

ASSETS	1998	1997
CURRENT ASSETS		
Cash and cash equivalents	$ 266	$ 581
Accounts receivable - trade, less allowance for doubtful accounts of $123 in 1998 and $102 in 1997	2,405	2,137
Employee loans	61	57
Other receivables	133	193
Newsprint, ink and plate inventories	166	191
Prepaid expenses	198	157
Deferred income tax benefits	172	197
Total current assets	3,401	3,513
PROPERTY AND EQUIPMENT		
Buildings and improvements	3,292	3,278
Equipment	5,986	5,218
	9,278	8,496
Less accumulated depreciation	4,243	3,913
	5,035	4,583
Land	1,417	1,375
	6,452	5,958
OTHER ASSETS		
Investment in affiliate	79	-
Circulation lists and contracts, less accumulated amortization of $1,272 in 1998 and $1,137 in 1997	78	213
Non-compete agreement, less accumulated amortization of $94 in 1998 and $84 in 1997	6	16
Loan costs, less accumulated amortization of $118 in 1998 and $97 in 1997	89	80
Goodwill, less accumulated amortization of $720 in 1998 and $666 in 1997	257	311
	509	620
	$ 10,362	$ 10,091

The accompanying notes are an integral part of these statements.

LIABILITIES AND EQUITY	1998	1997
CURRENT LIABILITIES		
Current maturities of long-term obligations	$ 263	$ 398
Trade accounts payable	635	463
Other payables	160	117
Payroll, property and sales taxes payable	120	113
Accrued payroll and benefits	459	589
Accrued expenses	359	278
Deferred subscription revenue	1,086	1,040
Total current liabilities	3,082	2,998
LONG-TERM OBLIGATIONS, less current maturities	3,444	3,702
DEFERRED INCOME TAXES	393	393
STOCKHOLDERS' EQUITY		
Contributed capital		
Common stock, class A (non-voting) - authorized 400,000 shares at $.20 par value; issued and outstanding, 267,861 in 1998 and 262,476 in 1997	54	52
Common stock, class B (voting) - authorized 100,000 shares at $.20 par value; issued and outstanding, 54,362 in 1998 and 54,153 in 1997	11	11
Paid-in capital	1,660	1,530
Retained earnings	2,254	1,850
	3,979	3,443
Stock subscriptions receivable	(536)	(445)
	3,443	2,998
	$ 10,362	$ 10,091

Sun Coast Media Group, Inc.

STATEMENTS OF INCOME

Years Ended May 31, 1998 and June 1, 1997
(In thousands)

	1998	1997
Revenues		
Advertising	$ 16,949	$ 15,732
Circulation	4,134	3,856
Commercial printing	1,011	1,081
Internet	1,092	436
Other	61	25
	23,247	21,130
Expenses		
Payroll	8,431	7,830
Insurance, payroll taxes and other benefits	1,665	1,393
Newsprint and printing	4,046	3,542
Distribution	2,486	2,267
Rent, utilities and maintenance	942	756
Other operating expenses	3,763	2,983
Depreciation and amortization	918	754
	22,251	19,525
Income from operations	996	1,605
Other income (expense)		
Interest and other income	95	86
Equity in loss of affiliate	(21)	-
Interest expense	(338)	(360)
	(264)	(274)
Income before income taxes	732	1,331
Provision for income taxes		
Current	304	477
Deferred	24	(5)
	328	472
NET INCOME	$ 404	$ 859

The accompanying notes are an integral part of these statements.

Sun Coast Media Group, Inc.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended May 31, 1998 and June 1, 1997
(In thousands)

	Common stock Class A		Common stock Class B	
	Shares	Amount	Shares	Amount
Balance - June 3, 1996	259	$ 52	54	$ 11
Sale of stock	6	1	-	-
Collection of stock subscriptions	-	-	-	-
Retirement of stock	(3)	(1)	-	-
Net income for the year	-	-	-	-
Balance - June 1, 1997	262	52	54	11
Sale of stock	4	1	-	-
Collection of stock subscriptions	-	-	-	-
Exercise of stock options	5	1	-	-
Retirement of stock	(3)	-	-	-
Net income for the year	-	-	-	-
Balance - May 31, 1998	268	54	54	11

The accompanying notes are an integral part of these statements.

Paid-in capital	Retained earnings	Stock subscriptions receivable	Total stockholders' equity
$ 1,384	$ 991	$ (287)	$ 2,151
270	-	(238)	33
-	-	54	54
(124)	-	26	(99)
-	859	-	859
1,530	1,850	(445)	2,998
229	-	(201)	29
-	-	70	70
80	-	-	81
(179)	-	40	(139)
-	404	-	404
$ 1,660	$ 2,254	$ (536)	$ 3,443

Sun Coast Media Group, Inc.

STATEMENTS OF CASH FLOWS

Years ended May 31, 1998 and June 1, 1997
(In thousands)

	1998	1997
OPERATING ACTIVITIES		
Net income	$ 404	$ 859
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	918	754
Provision for deferred income taxes	24	(5)
Equity in loss from investment	21	-
Changes in operating assets and liabilities:		
Trade and other accounts receivable	(212)	(304)
Newsprint, ink and plate inventories	25	(42)
Prepaid expenses	(41)	31
Trade and other accounts payable	62	(148)
Accrued expenses	81	297
Deferred subscription revenue	46	174
Total adjustments	924	757
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,328	1,616
INVESTING ACTIVITIES		
Acquisition of property and equipment	(1,119)	(621)
Acquisition of land	(42)	(100)
Acquisition of investment	(100)	-
NET CASH (USED IN) INVESTING ACTIVITIES	(1,261)	(721)
FINANCING ACTIVITIES		
Payment of loan costs	(30)	-
Principal payments on long-term obligations	(393)	(497)
Proceeds from stock subscriptions receivable	70	54
Proceeds from sale of common stock	110	33
Retirement of common stock	(139)	(99)
NET CASH (USED IN) FINANCING ACTIVITIES	(382)	(509)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(315)	386
Cash and cash equivalents at beginning of year	581	195
Cash and cash equivalents at end of year	$ 266	$ 581

The accompanying notes are an integral part of these statements.

Sun Coast Media Group, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 1998 and June 1, 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Business Activities and Concentration of Credit Risk

The Company publishes, prints and distributes newspapers and other print media products in Southwest Florida. In 1996, the Company commenced operations as an Internet access provider. The Company extends credit terms to commercial enterprises for display advertising and to both commercial enterprises and the general public for classified advertising. The Company collects fees in advance from both its newspaper subscription and Internet access customers. Trade accounts receivable consists principally of display and classified advertising receivables. The Company uses the allowance method of accounting for doubtful accounts. The year-end balance is based on historical collections and management's review of the current status of existing receivables and estimate as to their collectibility.

2. Accounting Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

3. Inventories

Inventories are stated at the lower of cost or market using the last-in, first-out (LIFO) method of determining cost.

4. Property and Equipment

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over estimated useful lives ranging from three to thirty-nine years principally on accelerated methods for tax purposes and the straight-line method for financial reporting purposes. Major renewals, betterments and replacements are capitalized. Maintenance and repairs are charged to expense as incurred.

5. Circulation Lists and Contracts

Circulation lists are amortized by the straight-line method over the ten year estimated useful lives of the underlying subscriptions.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Non-Compete Agreements

The agreement not to compete is amortized to operations by the straight-line method over the ten year life of the agreement.

7. Loan Costs

Loan costs are amortized by the straight-line method over the six to seven year terms of the respective loans.

8. Goodwill

Goodwill is amortized by the straight-line method over the estimated useful lives ranging from fifteen to twenty years.

9. Revenue Recognition

Advertising revenues are recorded when advertisements are published in the newspaper and circulation revenues are recorded as newspapers are delivered over subscription terms. Deferred revenues represent prepaid subscriptions, which are earned pro rata on a monthly basis. Costs in connection with the procurement of subscriptions are charged to expense as incurred.

10. Fiscal Year

The Company has elected to use a fifty-two, fifty-three week fiscal year ending on the Sunday nearest to May 31.

11. Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents for purposes of the statements of cash flows. The Company maintains its cash accounts at commercial banks. Total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000 per bank. A summary of total insured and uninsured amounts held at banks at May 31, 1998 follows:

	(In thousands)
Total cash held per banks	$ 597
Portion secured by FDIC	101
Uninsured cash balances	$ 496

NOTE B - RELATED PARTY TRANSACTIONS

In connection with the purchase of the assets of Charlotte Printing Company, the Company acquired a $55,000 note receivable from the Company's majority stockholder. The note bears interest at the rate of one percent below the prime rate. The note is collateralized by shares of the Company's stock. At May 31, 1998 and June 1, 1997, the note and accrued interest totaled $58,512 and $54,308, respectively.

The Company has guaranteed bank loans to certain key employees, the proceeds of which were used to exercise options to acquire common stock. The notes, aggregating $256,500, require monthly interest payments from the key employees at .75% above the prime interest rate through maturity on July 31, 1998. The shares of stock acquired through exercise of the options are held by the bank under a collateral pledge and assignment agreement.

NOTE C - STOCK SUBSCRIPTIONS RECEIVABLE

Stock subscriptions receivable consist of 5% and 6% notes receivable from certain key employees. Generally, principal and interest is payable weekly based on a ten year amortization with the remaining principal due five years after the note date for subscriptions issued after 1990. During the year ended May 31, 1998, the Company issued 4,468 shares of Class A common stock and 496 shares of Class B common stock for stock subscription notes of $201,333 and cash of $29,173. During the year ended June 1, 1997, the Company issued 6,541 shares of Class A common stock and 725 shares of Class B common stock for stock subscription notes of $237,798 and cash of $33,188. A summary of aggregate maturities of stock subscription notes receivable after May 31, 1998 follows:

Fiscal Year	(In thousands)
1999	$ 126
2000	119
2001	45
2002	130
2003	116

At May 31, 1998 and June 1, 1997, the Company's majority stockholder owed $3,796 and $11,445, respectively for outstanding stock subscriptions.

NOTE D - INVESTMENT IN AFFILIATE

In February 1998, the Company acquired a 50% ownership interest in Gulf Coast Review, Inc. a Florida corporation for $100,000. The Company does not actively participate in the operations of the affiliate and the investment is accounted for using the equity method. The Company is not obligated to advance funds beyond its initial investment.

Pertinent financial information for Gulf Coast Review, Inc. as of May 31, 1998 is as follows:

	(In thousands)
Balance Sheet	
Assets	$ 126
Liabilities	$ 68
Equity	58
	$ 126
Income Statement	
Revenues	$ 22
Expenses	64
Net loss	(42)
	50 %
Company's share of net loss	$ (21)

NOTE E - LONG-TERM OBLIGATIONS

The Company's long-term obligations at May 31, 1998 and June 1, 1997 are summarized as follows:

	(In thousands) 1998	1997
Notes payable to a bank	$ 3,700	$ 3,443
Notes payable to a corporation	-	640
Non-compete obligation payable	7	17
	3,707	4,100
Less current maturities	263	398
	$ 3,444	$ 3,702

NOTE E - LONG-TERM OBLIGATIONS - CONTINUED

Notes Payable to a Bank

In January 1998, the Company amended and restated its revolving credit and term loan agreement with a bank. The restated revolving note has a maximum borrowing of $4,250,000 and requires interest payable quarterly at 2.25% above LIBOR (London Interbank Offered Rate - 5.75% at May 31, 1998) through maturity in November 2003. At May 31, 1998, $2,250,000 of principal was outstanding. The note is collateralized by substantially all of the Company's assets and a pledge of at least 51% of the Company's outstanding voting and non-voting stock. The Company is obligated to pay an annual commitment fee of .75% on the unused revolving credit amount. The agreement requires, among other things, that the Company maintain certain minimum financial ratios and restricts the Company's ability to declare dividends, redeem stock or make other distributions to stockholders without the bank's prior approval.

In 1994, the Company borrowed $2,000,000 from the bank to which the Company is obligated under a revolving credit and term loan agreement. The borrowing was made to finance the retirement of stock. In January 1998, the Company borrowed $580,000 to refinance a note payable to a corporation. In connection with that borrowing, the Company executed a fourth amendment dated January 23,1998 reducing the term loan note amount to $1,597,500 and modified certain financial ratio requirements. The note is payable in increasing scheduled semi-annual payments, plus interest payable quarterly at the prime rate (8.50% at May 31, 1998) through maturity in November 2002. At May 31, 1998, $1,450,000 of principal was outstanding. The note is cross-collateralized with the revolving credit line to the bank.

Note Payable to a Corporation

The note payable to a corporation accrued interest at 80% of the prime rate and was payable in quarterly installments of $20,000 plus interest with remaining principal due in January 1998. The $580,000 principal balance at January 1998 was paid with proceeds from the amended and restated revolving credit and term loan with a bank. The note was collateralized by trade receivables and inventory of the former Charlotte Herald News and Englewood Herald Gulfside.

Non-Competition Obligation Payable

The non-compete obligation is without interest and is payable $2,500 quarterly through January, 1999.

NOTE E - LONG-TERM OBLIGATIONS - CONTINUED

A summary of aggregate maturities of long-term obligations for the six years after May 31, 1998 follows:

Fiscal Year	(In thousands)
1999	$ 263
2000	256
2001	288
2002	415
2003	1,360
2004	1,125

NOTE F - INCOME TAXES

Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this "liability" method, deferred tax assets and liabilities are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities by applying enacted statutory rates applicable to future years in which the differences are expected to reverse.

The Company has recognized a deferred tax asset for these temporary differences which are available to offset future income tax liabilities. A valuation allowance is not provided to reduce these deferred tax assets as management believes the amounts will be fully realized as a reduction of taxable income of future years.

The provision for income taxes charged to operations is as follows:

	(In thousands) 1998	1997
Federal		
Current	$ 274	$ 408
Deferred	22	(4)
Total	296	404
State		
Current	30	69
Deferred	2	(1)
Total	32	68
	$ 328	$ 472

NOTE F - INCOME TAXES - CONTINUED

Deferred tax assets and liabilities are summarized as follows:

	(In thousands) 1998	1997
Deferred tax assets:		
Doubtful accounts	$ 22	$ 41
Obsolescence reserve	2	4
Expense accruals	148	152
	$ 172	$ 197
Deferred tax liabilities:		
Depreciation	$ 393	$ 393

NOTE G - COMMITMENTS AND CONTINGENCIES

1. Stock Options

The Company has a non-qualified stock option plan available to key employees. The Board of Directors may, in their discretion, award options for up to 10,000 shares of Class A common stock per year. At May 31, 1998, options for 26,200 shares were outstanding. A summary of outstanding stock options follows:

Expiring in Fiscal Year	Shares	Price per Share
1999	6,000	$ 20.00
2000	8,000	17.50
2002	6,500	25.00
2003	3,500	31.00
2004	2,200	35.00

No options were awarded after September 1995.

2. Operating Leases

The Company conducts a portion of its operations in leased facilities generally under cancelable lease agreements principally on a month-to-month basis. Rent expense under operating leases was approximately $73,100 and $69,100 for 1998 and 1997, respectively.

NOTE G - COMMITMENTS AND CONTINGENCIES - CONTINUED

3. Employee Retirement Savings Plan

The Company sponsors a retirement savings plan for substantially all of its full-time employees. Employees may contribute up to ten percent (10%) of their gross wages to the plan. During 1998, the Board of Directors approved an increase in the matching contribution from twenty-five percent (25%) to thirty percent (30%) of the amount contributed by employees up to a maximum of $500 per employee. The Company's contribution vests ratably over a six (6) year period and was $53,144 and $35,576 in 1998 and 1997, respectively.

4. Purchase Commitment

The Company has committed to purchase, at a vendor's announced price, a minimum tonnage of newsprint during the following calendar years:

Calendar year	Short tons
1998	6,300
1999	6,600
2000	7,000
2001	7,300

5. Litigation

The Company is a party to litigation arising in the ordinary course of business. In addition, the Company is a party to a lawsuit in Federal court by a former employee alleging age discrimination. The Company asserts that it has not discriminated against the plaintiff. The Company is vigorously defending itself and, in the opinion of management, the ultimate outcome of these actions will not have a material effect on the Company's financial condition.

6. Self-insurance Program

The Company is self-insured with respect to its employee group health benefit plan. The Company has stop loss insurance which limits the Company's maximum loss to $35,000 per insured claim to a maximum aggregate loss of $700,000 per plan year based on current employment levels. Management believes they have adequately provided for all claims incurred in the accompanying financial statements. At May 31, 1998, the Company has accrued approximately $213,000 for estimated claims incurred but not paid.

NOTE H - SUPPLEMENTAL CASH FLOW INFORMATION

	(In thousands) 1998	1997
Cash paid during the year for interest	$ 343	$ 365
Cash paid during the year for income taxes	338	405
Non-cash investing and financing activities:		
Stock issued for stock subscription notes receivable	201	238
Stock retired upon cancellation of stock subscriptions receivable	40	26
Refinance of note payable to corporation	580	-

NATHERSON & COMPANY, P.A.
Certified Public Accountants

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Florida Institute of Certified Public Accountants
Division for CPA Firms, AICPA
Private Companies Practice
SEC Practice Sections

Russell S. Natherson, C.P.A.
Patrick L. Gallagher, C.P.A.

Independent Auditors' Report

Board of Directors and Stockholders
Sun Coast Media Group, Inc.

We have audited the accompanying balance sheets of Sun Coast Media Group, Inc. as of June 1, 1997 and June 2, 1996, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sun Coast Media Group, Inc. as of June 1, 1997 and June 2, 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Natherson & Company, P.A.

Sarasota, Florida
June 20, 1997

Sun Coast Media Group, Inc.

BALANCE SHEETS

June 1, 1997 and June 2, 1996
(In thousands)

ASSETS	1997	1996
CURRENT ASSETS		
Cash and cash equivalents	$ 581	$ 195
Accounts receivable - trade, less allowance for doubtful accounts of $102 in 1997 and $101 in 1996	2,137	1,863
Employee loans	57	100
Other receivables	193	120
Newsprint, ink and plate inventories	191	149
Prepaid expenses	157	188
Deferred income tax benefits	197	154
Total current assets	3,513	2,769
PROPERTY AND EQUIPMENT		
Buildings and improvements	3,278	2,445
Equipment	5,218	4,918
	8,496	7,363
Less accumulated depreciation	3,913	3,390
	4,583	3,973
Construction in progress	-	592
Land	1,375	1,275
	5,958	5,840
OTHER ASSETS		
Circulation lists and contracts, less accumulated amortization of $1,137 in 1997 and $1,002 in 1996	213	348
Non-compete agreement, less accumulated amortization of $84 in 1997 and $74 in 1996	16	26
Loan costs, less accumulated amortization of $97 in 1997 and $73 in 1996	80	104
Goodwill, less accumulated amortization of $666 in 1997 and $612 in 1996	311	365
	620	843
	$ 10,091	$ 9,452

The accompanying notes are an integral part of these statements.

LIABILITIES AND EQUITY	1997	1996
CURRENT LIABILITIES		
Current maturities of long-term obligations	$ 398	$ 359
Trade accounts payable	463	713
Other payables	117	87
Payroll, property and sales taxes payable	113	81
Accrued payroll and benefits	589	350
Accrued expenses	278	252
Deferred subscription revenue	1,040	866
Total current liabilities	2,998	2,708
LONG-TERM OBLIGATIONS, less current maturities	3,702	4,238
DEFERRED INCOME TAXES	393	355
STOCKHOLDERS' EQUITY		
Contributed capital		
Common stock, class A (non-voting) - authorized 400,000 shares at $.20 par value; issued and outstanding, 262,476 in 1997 and 258,920 in 1996	52	52
Common stock, class B (voting) - authorized 100,000 shares at $.20 par value; issued and outstanding, 54,153 in 1997 and 53,593 in 1996	11	11
Paid-in capital	1,530	1,384
Retained earnings	1,850	991
	3,443	2,438
Stock subscriptions receivable	(445)	(287)
	2,998	2,151
	$ 10,091	$ 9,452

Sun Coast Media Group, Inc.

STATEMENTS OF INCOME

Years Ended June 1, 1997 and June 2, 1996
(In thousands)

	1997	1996
Revenues		
Advertising	$ 15,732	$ 14,820
Circulation	3,856	3,396
Commercial printing	1,081	771
Internet	436	18
Other	25	43
	21,130	19,048
Expenses		
Payroll	7,830	6,678
Insurance, payroll taxes and other benefits	1,393	1,335
Newsprint and printing	3,542	3,763
Distribution	2,267	2,113
Rent, utilities and maintenance	756	584
Other operating expenses	2,983	2,727
Depreciation and amortization	754	689
	19,525	17,889
Income from operations	1,605	1,159
Other income (expense)		
Interest and other income	86	105
Interest expense	(360)	(444)
	(274)	(339)
Income before income taxes	1,331	820
Provision for income taxes		
Current	477	342
Deferred	(5)	(4)
	472	338
NET INCOME	$ 859	$ 482

The accompanying notes are an integral part of these statements.

Sun Coast Media Group, Inc.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended June 1, 1997 and June 2, 1996
(In thousands)

	Common stock Class A		Common stock Class B	
	Shares	Amount	Shares	Amount
Balance - May 28, 1995	248	$ 50	53	$ 11
Sale of stock	5	1	1	-
Collection of stock subscriptions	-	-	-	-
Exercise of stock options	7	1	-	-
Retirement of stock	(1)	-	-	-
Net income for the year	-	-	-	-
Balance - June 2, 1996	259	52	54	11
Sale of stock	6	1	-	-
Collection of stock subscriptions	-	-	-	-
Retirement of stock	(3)	(1)	-	-
Net income for the year	-	-	-	-
Balance - June 1, 1997	262	$ 52	54	$ 11

The accompanying notes are an integral part of these statements.

Paid-in capital	Retained earnings	Stock subscriptions receivable	Total stockholders' equity
$ 1,123	$ 509	$ (212)	$ 1,481
157	-	(142)	16
-	-	57	57
125	-	-	126
(21)	-	10	(11)
-	482	-	482
1,384	991	(287)	2,151
270	-	(238)	33
-	-	54	54
(124)	-	26	(99)
-	859	-	859
$ 1,530	$ 1,850	$ (445)	$ 2,998

Sun Coast Media Group, Inc.

STATEMENTS OF CASH FLOWS

Years ended June 1, 1997 and June 2, 1996
(In thousands)

	1997	1996
OPERATING ACTIVITIES		
Net income	$ 859	$ 482
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	754	689
Provision for deferred income taxes	(5)	(4)
Changes in operating assets and liabilities:		
Trade and other accounts receivable	(304)	1
Newsprint, ink and plate inventories	(42)	23
Prepaid expenses	31	(10)
Trade and other accounts payable	(148)	119
Accrued expenses	297	(67)
Deferred subscription revenue	174	42
Income taxes payable	-	(31)
Total adjustments	757	762
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,616	1,244
INVESTING ACTIVITIES		
Acquisition of property and equipment	(621)	(887)
Acquisition of land	(100)	-
NET CASH (USED IN) INVESTING ACTIVITIES	(721)	(887)
FINANCING ACTIVITIES		
Payment of loan costs	-	(27)
Principal payments on long-term obligations	(497)	(741)
Proceeds from stock subscriptions receivable	54	57
Proceeds from sale of common stock	33	142
Retirement of common stock	(99)	(11)
NET CASH (USED IN) FINANCING ACTIVITIES	(509)	(580)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	386	(223)
Cash and cash equivalents at beginning of year	195	418
Cash and cash equivalents at end of year	$ 581	$ 195

The accompanying notes are an integral part of these statements.

Sun Coast Media Group, Inc.

NOTES TO FINANCIAL STATEMENTS

June 1, 1997 and June 2, 1996

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Business Activities and Concentration of Credit Risk

The Company publishes, prints and distributes newspapers and other print media products in Southwest Florida. In 1996, the Company commenced operations as an Internet access provider. The Company extends credit terms to commercial enterprises for display advertising and to both commercial enterprises and the general public for classified advertising. The Company collects fees in advance from both its newspaper subscription and Internet access customers. Trade accounts receivable consists principally of display and classified advertising receivables. The Company uses the allowance method of accounting for doubtful accounts. The year-end balance is based on historical collections and management's review of the current status of existing receivables and estimate as to their collectibility.

2. Accounting Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

3. Inventories

Inventories are stated at the lower of cost or market using the last-in, first-out (LIFO) method of determining cost.

4. Property and Equipment

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over estimated useful lives ranging from three to thirty-nine years principally on accelerated methods for tax purposes and the straight-line method for financial reporting purposes. Major renewals, betterments and replacements are capitalized. Maintenance and repairs are charged to expense as incurred.

5. Circulation Lists and Contracts

Circulation lists are amortized by the straight-line method over the ten year estimated useful lives of the underlying subscriptions.

Sun Coast Media Group, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 1, 1997 and June 2, 1996

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Non-Compete Agreements

The agreement not to compete is amortized to operations by the straight-line method over the ten year life of the agreement.

7. Loan Costs

Loan costs are amortized by the straight-line method over the six to seven year terms of the respective loans.

8. Goodwill

Goodwill is amortized by the straight-line method over the estimated useful lives ranging from fifteen to twenty years.

9. Revenue Recognition

Advertising revenues are recorded when advertisements are published in the newspaper and circulation revenues are recorded as newspapers are delivered over subscription terms. Deferred revenues represent prepaid subscriptions, which are earned pro rata on a monthly basis. Costs in connection with the procurement of subscriptions are charged to expense as incurred.

10. Fiscal Year

The Company has elected to use a fifty-two, fifty-three week fiscal year ending on the Sunday nearest to May 31.

11. Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents for purposes of the statements of cash flows. The Company maintains its cash accounts at commercial banks. Total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000 per bank. A summary of total insured and uninsured amounts held at banks at June 1, 1997 follows:

	(In thousands)
Total cash held per banks	$ 854
Portion secured by FDIC	103
Uninsured cash balances	$ 751

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Basis of Presentation

Certain amounts for 1996 have been reclassified to enhance comparability with 1997.

NOTE B - RELATED PARTY TRANSACTIONS

In connection with the purchase of the assets of Charlotte Printing Company, the Company acquired a $55,000 note receivable from the Company's majority stockholder. The note bears interest at the rate of one percent below the prime rate. The note is collateralized by shares of the Company's stock. At June 1, 1997 and June 2, 1996, the note and accrued interest totaled $54,308 and $50,508, respectively.

The Company has guaranteed bank loans for certain key employees to exercise options to acquire common stock. The notes, aggregating $214,500, require monthly interest payments from the key employees at .75% above the prime interest rate through maturity in July 1997. The shares of stock acquired through exercise of the options are held by the bank under a collateral pledge and assignment agreement.

NOTE C - STOCK SUBSCRIPTIONS RECEIVABLE

Stock subscriptions receivable consist of 5% and 6% notes receivable from certain key employees. Generally, principal and interest is payable weekly based on a ten year amortization with the remaining principal due five years after the note date for subscriptions issued after 1990. During the year ended June 2, 1996, the Company issued 4,590 shares of Class A common stock and 510 shares of Class B common stock for stock subscription notes of $142,917 and cash of $15,535. During the year ended June 1, 1997, the Company issued 6,541 shares of Class A common stock and 725 shares of Class B common stock for stock subscription notes of $237,798 and cash of $33,188. A summary of aggregate maturities of stock subscription notes receivable after June 1, 1997 follows:

Fiscal Year	(In thousands)
1998	$ 63
1999	102
2000	113
2001	29
2002	138

At June 1, 1997, the Company's majority stockholder owed $11,445 for outstanding stock subscriptions.

NOTE D - CONTRACTS AND AGREEMENTS

In 1989, the Company acquired the subscription lists, advertising contracts and certain other assets constituting the trade and business known as the "Charlotte Herald News" and the "Englewood Herald Gulfside" for $200,000 cash and a note for $1,300,000. In addition, the Company also obtained a covenant not to compete from the seller for ten years in exchange for $100,000 payable at the rate of $2,500 per quarter through January 1999.

NOTE E - INCOME TAXES

Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this "liability" method, deferred tax assets and liabilities are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities by applying enacted statutory rates applicable to future years in which the differences are expected to reverse.

The Company has recognized a deferred tax asset for these temporary differences which are available to offset future income tax liabilities. A valuation allowance is not provided to reduce these deferred tax assets as management believes the amounts will be fully realized as a reduction of taxable income of future years.

The provision for income taxes charged to operations is as follows:

	(In thousands) 1997	1996
Federal		
Current	$ 408	$ 299
Deferred	(4)	(3)
Total	404	296
State		
Current	69	43
Deferred	(1)	(1)
Total	68	42
	$ 472	$ 338

NOTE E - INCOME TAXES - CONTINUED

Deferred tax assets and liabilities are summarized as follows:

	(In thousands) 1997	1996
Deferred tax assets:		
Doubtful accounts	$ 41	$ 38
Obsolescence reserve	4	3
Expense accruals	152	113
	$ 197	$ 154
Deferred tax liabilities:		
Depreciation	$ 393	$ 355

NOTE F - LONG-TERM OBLIGATIONS

The Company's long-term obligations at June 1, 1997 and June 2, 1996 are summarized as follows:

	(In thousands) 1997	1996
Notes payable to a bank	$ 3,443	$ 3,850
Notes payable to a corporation	640	720
Non-compete obligation payable	17	27
	4,100	4,597
Less current maturities	398	359
	$ 3,702	$ 4,238

Notes Payable to a Bank

In May 1996, the Company converted the balances outstanding under its revolving credit and term loan agreement to a declining balance revolving credit. The new note has a maximum amount of $3,250,000 and requires interest payable quarterly at 2.25% above LIBOR (London Interbank Offered Rate - 5.5938% at June 1, 1997) through maturity in May 2001. At June 1, 1997, $2,250,000 of principal was outstanding. The note is collateralized by substantially all of the Company's assets and a pledge of at least 51% of the Company's outstanding voting and non-voting stock. The Company is obligated to pay an annual commitment fee of .75% on the unused revolving credit amount. The agreement requires, among other things, that the Company maintain certain minimum financial ratios and restricts the Company's ability to declare dividends, redeem stock or make other distributions to stockholders without the bank's prior approval.

NOTE F - LONG-TERM OBLIGATIONS - CONTINUED

Notes Payable to a Bank - continued

In 1994, the Company borrowed $2,000,000 from the bank to which the Company is obligated under a revolving credit and term loan agreement. The borrowing was made to finance the retirement of stock. The Company executed a first amendment to the revolving credit and term loan agreement which bound the $2,000,000 note to the previous agreement and modified certain of the minimum financial ratios. The note is payable in increasing scheduled semi-annual payments, plus interest payable quarterly at .75% above the prime rate (8.5% at June 1, 1997) through maturity in May 2000. At June 1, 1997, $1,192,500 of principal was outstanding. The note is secured by the same collateral pledged on the declining balance revolving credit.

Note Payable to a Corporation

The note payable to a corporation bears interest at 80% of the prime rate and is payable in quarterly installments of $20,000 plus interest with remaining principal due in January 1999. The note is collateralized by trade receivables and inventory of the former Charlotte Herald News and Englewood Herald Gulfside.

Non-Competition Obligation Payable

The non-compete obligation is without interest and is payable $2,500 quarterly through January, 1999.

A summary of aggregate maturities of long-term obligations for the five years after June 1, 1997 follows:

Fiscal Year	(In thousands)
1998	$ 398
1999	1,202
2000	1,000
2001	1,500

Sun Coast Media Group, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 1, 1997 and June 2, 1996

NOTE G - COMMITMENTS AND CONTINGENCIES

1. Stock Options

The Company has a non-qualified stock option plan available to key employees. The Board of Directors may, in their discretion, award options for up to 10,000 shares of Class A common stock per year. At June 1, 1997, options for 30,700 shares were outstanding. A summary of outstanding stock options follows:

Expiring in Fiscal Year	Shares	Price per Share
1998	4,500	$ 18.00
1999	6,000	20.00
2000	8,000	17.50
2002	6,500	25.00
2003	3,500	31.00
2004	2,200	35.00

No options were awarded after September 1995.

2. Operating Leases

The Company conducts a portion of its operations in leased facilities generally under cancelable lease agreements principally on a month-to-month basis. Rent expense under operating leases was approximately $69,100 and $69,500 for 1997 and 1996 respectively.

3. Employee Retirement Savings Plan

Effective October 1, 1993, the Company adopted a retirement savings plan for substantially all of its full-time employees. Employees may contribute up to ten percent (10%) of their gross wages to the plan. The Board of Directors has approved a matching contribution of twenty-five percent (25%) of the amount contributed by employees up to a maximum of $500 per employee. The Company's contribution vests ratably over a six (6) year period and was $35,576 and $42,810 in 1997 and 1996, respectively.

During 1997, the Company determined it was not in compliance with certain filing and reporting requirements relating to the Employee Retirement Savings Plan. The Company has taken actions to bring the plan into compliance. Management believes it is unlikely that any penalties or fines will be assessed.

Sun Coast Media Group, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 1, 1997 and June 2, 1996

NOTE G - COMMITMENTS AND CONTINGENCIES - CONTINUED

4. Purchase Commitment

The Company has committed to purchase, at a vendor's announced price, a minimum tonnage of newsprint during the following calendar years:

Calendar year	Short tons
1997	6,000
1998	6,300
1999	6,600
2000	7,000
2001	7,300

5. Litigation

The Company is a party to litigation arising in the ordinary course of business. In addition, the Company is a party to a claim filed by a former employee with the Equal Employment Opportunity Commission (EEOC) alleging age and sex discrimination. The Company asserts that it has not discriminated against the plaintiff and is vigorously defending itself. The filing of a claim with the EEOC is a prerequisite to asserting a claim in Federal or state court. The Company has had no indication at this time that the former employee intends to file a lawsuit. In the opinion of management, the likelihood of an unfavorable outcome or the amount of any possible loss if a lawsuit is filed cannot be presently determined.

NOTE H - SUPPLEMENTAL CASH FLOW INFORMATION

	(In thousands)	
	1997	1996
Cash paid during the year for interest	$ 365	$ 446
Cash paid during the year for income taxes	405	394
Non-cash investing and financing activities:		
Stock issued for stock subscription notes receivable	238	142
Stock retired upon cancellation of stock subscriptions receivable	26	10

DEREK DUNN-RANKIN
PRESIDENT

Derek Dunn-Rankin is president and majority stockholder of Sun Coast Media Group, Inc. and publisher of the Charlotte Sun Herald.

Derek moved to Florida from New Jersey 62 years ago with his parents and younger brother. He began his newspaper career delivering the Miami News when he was 11.

Derek graduated from Rollins College, located in the center of the state, where he was editor of the college paper. He worked as a reporter for the St. Petersburg Times. During his senior year, he was sports editor of the Sanford Daily Herald.

He went over to the business side of the newspaper business at the Miami News, then in Charlotte and Greensboro, North Carolina, and wound up as president of the Virginian Pilot Ledger Star newspaper in Norfolk, Virginia.

In 1977 he left Landmark Corporation to become an entrepreneur with the purchase of the Venice Gondolier. In the 21 years under his ownership, the Gondolier has frequently been rated Florida's best weekly newspaper.

Derek purchased the Charlotte Sun in 1979 when it was a sixteen-page free tabloid with four employees operating out of a store front next door to a laundromat.

In 1987 the twice weekly Sun was the county's leading source of news and advertising. In September, 1987 the Sun began publishing seven mornings a week.

The Sun Herald has grown 87 percent in the last eight years making it the fastest growing daily in the United States, with a peak Sunday circulation of 50,000 last year.

The Sun Herald's TV Book has been rated Best in the Nation for newspapers under 100,000 circulation.

Sunline, the newspaper's Internet division started up in the first quarter of 1996. It has twice been rated the best newspaper web site in the country for newspapers under 100,000 circulation.

ALAN L. WALROND
CHIEF FINANCIAL OFFICER

University of Massachusetts 1972, BBA

1973-1984 General Electric Company

1975	Graduated Financial Management Studies Program.
1973-1976	Various assignments in Contractor Equipment Industrial Division.
1977-1978	Controller for Contractor Equipment Division's first manufacturing operaton in Jeddah, Saudi Arabia.
1979-1982	Controller for Power Systems Division manufacturing and service operation in Dammam, Saudi Arabia.
1983-1984	Manager-Financial Analysis and Planning for Engineering Service Division's operations in Europe, Africa and Middle East.

1985-1986 Owensboro Publishing Company

Chief Financial Officer for publishing, printing, AM and FM radio and low-power TV operations.

1987-Present Sun Coast Media Group, Inc.

Chief Financial Officer

DEBBIE DUNN-RANKIN
VICE PRESIDENT

1996-1999 Sunline, Port Charlotte, FL

General Manager. Started Sunline, an ISP and web development company. Voted two years in a row best online newspaper in the United States. Customers voted Sunline as the best ISP in Florida in 1996, 97. Attended University of Virginia Darden School of Business. Increased sales every year since launching Sunline.

1987-1995 Sun Coast Media Group, Inc., Venice, FL

Chief Information Officer. Installed and maintained MAC network for four daily newspapers and one weekly. Installed and maintained software and hardware for corporate accounting systems. Implemented training course for new recruits - speeding profitability. Continuous improvement leader for Sun Coast Media Group1994-1995.

1985-1986 Sun Coast Media Group, Inc., Venice, FL

Data Processing Manager. Installed and maintained corporate accounting systems. Trained and supervised operators. Consolidated production and accounting network to one department.

1983-1984 Sun Coast Media Group, Inc., Venice, FL

Worked in the Accounting Department as the accounts payable and accounts receivable clerk. Helped in software installation of our first major computer network for accounting.

1981-1982 Montreat Anderson, Montreat, NC

A.A. Liberal Arts

JULES J. GHYSELINCK
CONSULTANT

Mr. Ghyselinck is the founder of Ghyselinck & Associates and brings over 48 years of telecommunications experience to the clients. Currently, Ghyselinck & Associates is assisting Gainesville Regional Utilities of Gainesville, FL and City Utilities of Springfield, MO in the development of Sonet networks for full service delivery of voice, data and video. In addition to his responsibilities to Ghyselinck & Associates, he provides individual company board representation and consulting. For example, he is a board member of Monterey Telecommunications Technology, a manufacturer of special switching equipment for wireless systems. He has provided consulting services for Harris Corporation dealing with telephone network design and operation in developing countries such as India, Chile and Eastern Europe.

Prior to forming Ghyselinck & Associates, he was president of Executone-Western California from 1980-1990. This was a highly successful customer premise equipment vendor with operations in Ventura, Santa Barbara and San Luis Obispo, CA counties. From 1965 to 1979 Mr. Ghyselinck held key positions at CONTEL Corporation, a multi-billion dollar telephone company, which was later merged with GTE. His positions included Vice President, Engineering where he was responsible for modernization and system expansion budget in excess of $500 million. He was also Vice President, Network Design, which included the overall implementation of digital switching network modernization. Over the years, Mr. Ghyselinck has been in high demand as an industry visionary, with consulting assignments to companies such as 3M, TRW and Nortel. He is a Life Member of IEEE, was on the Distributor Council for Siemens Corporation, a founding member of the ISDN Conference, a member of BICSI (Building Industry Consulting Service and an RCDD (Registered Communications Distribution Designer). Mr. Ghyselinck studied electrical engineering at Washington University in St. Louis. MO.

FLORIDA LOCAL TELECOMMUNICATIONS TARIFF

OF

The Ultimate Connection, L.C.

This price list contains the descriptions, regulations and rates applicable to the furnishing of service and facilities for alternative local exchange telecommunications services provided by The Ultimate Connection, L.C. within the state of Florida. This price list 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 at 23170 Harborview Road, Port Charlotte, FL 33980.

CHECK SHEET

The sheets listed below, which are inclusive of this price list, are effective as of the date shown at the bottom of the respective sheet. Original and revised sheets as named below comprise all changes from the original price list and are currently in effect as of the date on the bottom of this page

SHEET	REVISION
1	ORIGINAL
2	ORIGINAL
3	ORIGINAL
4	ORIGINAL
5	ORIGI NAL
6	ORIGINAL
7	ORIGINAL

Derek Dunn-Rankin
23170 Harborview Road
Port Charlotte, FL 33980

SYMBOLS

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

D – Delete Or Discontinue

I- Change Resulting In An Increase To A Customer's Bill

M- Moved From Another Price List Location

N- New

R- Change Resulting In A Reduction To A Customer's Bill

T- Change In Text Or Regulation But No Change In Rate Or Charge

Derek Dunn-Rankin
23170 Harborview Road
Port Charlotte, FL 33980

SECTION 1 – RULES, REGULATIONS AND SERVICE QUALITY CRITERIA

1.1 Service Availability: Service is to the residence and/or business only. The customer is responsible for maintaining the wiring and jacks along with his or her telephone within the agreed residence or business.

1.2 Interruption of Service: Non-Payment of Regulated Charges on a specific date, as agreed, will result in a discontinuance of service. Any reconnection would involve a reconnection charge of $25.00.

1.3 Deposits and Advanced Payments: A one time Non-Refundable processing fee of $49.99 will be due at the time of application along with the first month's prepaid phone service charge.

1.4 Refunds/Credits: A request for a refund or credit, for whatever the reason,, must be made in writing by the customer and mailed to: The Ultimate Connection, L.C. 23170 Harborview Road, Charlotte Harbor, FL 33980. The request for the refund will be reviewed and the customer will receive a credit , or an explanation as to why no credit is due. This notification will be given to the customer within 30 days of receipt of the actual request.

Derek Dunn-Rankin
23170 Harborview Road
Port Charlotte, FL 33980

SECTION 2 – BASIC SERVICE DESCRIPTION AND RATES

2.1 Service Description

Basic local phone service with 911 access, operator services, and relay services. Service does not include and extended calling area or long distance.

2.2 Rates

Business Local Exchange Line Service

Business Local Exchange Line Service provides a facility from customer's business location to the Company's central office.

Business Exchange Access Line	Nonrecurring Charge	Monthly Rate
A. First Line	$49.99	$16.95
B. Each Additional Line	$24.99	$13.95

Residential Local Exchange Service

Residential Local Exchange Service provides a facility from a customer's residence to the Company's central office.

A. First Line	$49.99	$12.95
B. Each Additional Line	$24.99	$ 9.95

Derek Dunn-Rankin
23170 Harborview Road
Port Charlotte, FL 33980

SECTION 2 – BASIC SERVICE DESCRIPTION AND RATES

2.3 Emergency Services (Enhanced 911): Allows Customers to reach appropriate emergency services including police, fire and hospital. Enhanced 911 has the ability to selectively route an emergency call to the primary E911 provider so that it reaches the correct emergency service located closest to the caller. In addition, the Customer's address and telephone information will be provided to the primary E911 provider for display at the Public Service Answering Point (PSAP).

2.4 Telecommunications Relay Service: Refers to the provision of a specialized telecommunications service that allows hearing- and speech-impaired customers to communicate over the telecommunications network as defined in Florida Statute 364.337. The Company will pass through to the Customer all charges associated with this service, including associated taxes and franchise fees, at the same level of charge assessed by the ILEC to the Company. The Customer is responsible for the provision of all hardware and installation thereof at the Customer's premises in order to utilize this service; the Company maintains no inventory of hardware for this purpose.

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SECTION 3 – MISCELLANEOUS SERVICES

3.1 Additional Features

Non-Published Number	$6.00 per month
Call Return	$6.00 per month
Call Waiting	$6.00 per month
3-Way Calling	$6.00 per month
Caller I.D.	$12.00 per month

3.2 Non-Routine Installation and Maintenance

At the Customer's request, installation and or maintenance may be performed outside the Company's regular business hours, or (in the Company's sole discretion and subject to any conditions it may impose) in hazardous locations. In such cases, charges are based on the cost of labor, material and any other costs incurred by or charged to the Company. If installation is started during regular business hours but at the Customer's request extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and or night hours, additional charges may apply.

3.3 Directory Listings

One listing, termed the initial listing, is included with each Customer's Service Request.

Derek Dunn-Rankin
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Port Charlotte, FL 33980

Florida's Best Local Newspap

SUN COAST MEDIA GROUP, INC.

CHARLOTTE SUN HERALD
23170 Harborview Rd.
Charlotte Harbor, FL 33980
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NORTH PORT SUN HERALD
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North Port, FL 34287
(941) 426-9544

VENICE NDOLIER
200 E. Venice Ave.
Venice, FL 34285
(941) 484-2611

DESOTO SUN HERALD
207 W. Oak St.
Arcadia, FL 33821
(941) 494-2434

ENGLEWOOD SUN HERALD
167 W. Dearborn St.
Englewood, FL 34223
(941) 474-5521

PUNTA GORDA HERALD
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Punta Gorda, FL 33950
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200 E. VENICE AVENUE • VENICE, FLORIDA 34285 • e-mail:http://www.sunline.net • PHONE: (941) 484-2611 • FAX: (941) 485-3036

October 1,1999

DEPOSIT D200 DATE OCT 06 1999

Via Federal Express

991495-TX

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

RE: Application of The Ultimate Connection, L.C. for Authorization to Provide Alternative Local Exchange Service within the State of Florida

Dear Ms. Bayo:

Enclosed please find an original and six (6) copies of Application Form for the Authority to Provide Alternative Local Exchange Service within the State of Florida by The Ultimate Connection, L.C. Also enclosed is the requisite $250.00 filing fee.

Please acknowledge receipt of this filing by returning a date stamped copy of this letter in the self-addressed envelope provided.

Thank you for your assistance. Please call with any questions.

Very truly yours,

Doug Dunbar

CHECK NO.
180158
180158
VENDOR NO.
A06693

Sun Coast Media Group, Inc.
200 EAST VENICE AVENUE • VENICE, FLORIDA 34285

CHECK DATE 09/29/99

NATIONSBANK 63-27/631

PAY EXACTLY

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

TO THE ORDER OF
FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF RECORDS & REPORTING
2540 SHUMARD OAK BLVD
TALLAHASSEE, FL 32399-0850

DOCUMENT NUMBER-DATE
11987 OCT -5 99

TWO SIGNATURES REQUIRED IF OVER $ 00

AUTHORIZED SIGNATURE

THIS DOCUMENT IS PRINTED ON CHECK PROTECT PAPER AND CONTAINS MICROPRINTING

⑈180158⑈