



ORIGINAL

September 6, 2002
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Winter Park, FL
32789

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Winter Park, FL
32790-0200

Tel: 407-740-8575
Fax: 407-740-0613
tmi@tminc.com

Ms. Blanca Bayo, Director
Division of the Commission Clerk & Administrative Services
Florida Public Service Commission
2450 Shumard Oak Boulevard
Tallahassee, FL 32399-0870

RECEIVED-FPSC
02 SEP -9 PM 1:00
COMMISSION
CLERK

020963-TX

RE: Application of **Network Operator Services, Inc.** for Authority to Provide
Alternative Local Exchange Service

Dear Ms. Bayo:

Enclosed is the original and three (3) copies of the application of Network Operator Services, Inc. for authority to provide alternative local exchange service. Also enclosed is a check for the application fee of \$250.

Please return a date stamped the copy of this cover letter in the self-addressed stamped envelope which has been provided for this purpose. Any questions pertaining to this filing may be addressed to me at (407) 740-8575.

Sincerely,

Thomas M. Forte
Consultant to Network Operator Services, Inc.

Enclosure

TMF/ks

cc: Susan Freeman – Network Operator Services
file: NOS - FL Local
tms: FL10200

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward amount of check to RAR with prom. on deposit.
Initials of person who forwarded check:
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FPSC-COMMISSION CLERK

FLORIDA PUBLIC SERVICE COMMISSION

**DIVISION OF REGULATORY OVERSIGHT
CERTIFICATION SECTION**

APPLICATION FORM

for

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

Instructions

- ◆ This form is used as an application for a certificate and for approval of the assignment or transfer of an existing certificate. In case of an assignment or transfer, the information provided shall be for the assignee or transferee. (See Page 12).
- ◆ 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
2450 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
(850) 413-6770**

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

**Florida Public Service Commission
Division of Regulatory Oversight
Certification Section
2450 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
(850) 413-6480**

APPLICATION

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

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

Network Operator Services, Inc.

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

Not applicable

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

Name: Network Operator Services, Inc.
Street: 119 W. Tyler Street, Suite 260
P.O. Box:
City: Longview
State: Texas
Zip Code: 75601

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

Name: Network Operator Services, Inc.
Street: 119 W. Tyler Street, Suite 260
P.O. Box:
City: Longview
State: Texas
Zip Code: 75601

6. Structure of organization:

- | | |
|---------------------------------------------------------|----------------------------------------------|
| <input type="checkbox"/> Individual | <input type="checkbox"/> Corporation |
| <input checked="" type="checkbox"/> Foreign Corporation | <input type="checkbox"/> Foreign Partnership |
| <input type="checkbox"/> General Partnership | <input type="checkbox"/> Limited Partnership |
| <input type="checkbox"/> Other | |

7. If individual, provide:

Name: Not applicable
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:

The Florida Secretary of State corporate registration number:
Not applicable

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

The Florida Secretary of State corporate registration number:
F97000003644

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

The Florida Secretary of State fictitious name registration number:
Not applicable

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

The Florida Secretary of State registration Number:
Not applicable

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

Name: Not applicable
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.

The Florida registration number:
Not applicable

14. Provide F.E.I. Number (if applicable):
75-2236192

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.

None

- (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.

None

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

(a) The application:

Name: Thomas M. Forte, Technologies Management, Inc.
Title Consultant
Address: 210 N. Park Avenue
City/State/Zip: Winter Park, FL 32789
Telephone No. 407-740-8575
Fax No. 407-740-0613
Internet E-Mail Address: tforte@tminc.com
Internet Website Address: tminc.com

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

Name: Susan Freeman
Title Regulatory Manager
Address: 119 W. Tyler Street, Suite 260
City/State/Zip: Longview, Texas 75601
Telephone No. 903-323-4500
Fax No. 903-758-9372
Internet E-Mail Address: sfreeman@centrisinfo.com
Internet Website Address: centrisinfo.com

(c) Complaints/Inquiries from customers:

Name: Susan Freeman
Title Regulatory Manager
Address: 119 W. Tyler Street, Suite 260
City/State/Zip: Longview, Texas 75601
Telephone No. 903-323-4500
Fax No. 903-758-9372
Internet E-Mail Address: sfreeman@centrisinfo.com
Internet Website Address: centrisinfo.com

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

Please see Exhibit I.

- B. **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.**

Please see Exhibit I.

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

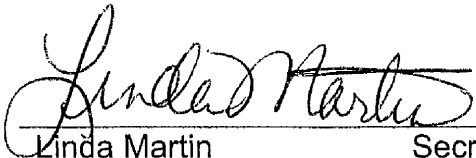
Please see Exhibit II.

THIS PAGE MUST BE COMPLETED AND SIGNED

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 this application.

UTILITY OFFICIAL:



Linda Martin Secretary
Phone: 903-323-4500
Fax: 903-758-9372
Toll Free: 800-530-4898
Address: 119 W. Tyler Street, Suite 260
City/State/Zip: Longview, Texas 75601

Date:

9-4-02

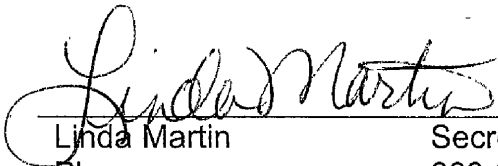
THIS PAGE MUST BE COMPLETED AND SIGNED

AFFIDAVIT

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

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

UTILITY OFFICIAL:



Linda Martin Secretary
Phone: 903-323-4500
Fax: 903-758-9372
Toll Free: 800-530-4898
Address: 119 W. Tyler Street, Suite 260
City/State/Zip: Longview, Texas 75601

Date:

9-4-02

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) _____ 2) _____

3) _____ 4) _____

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

1) _____ 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.

Type of POP to POP	Owned or Leased
---------------------------	------------------------

1) _____

2) _____

3) _____

4) _____

CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT

I, (Name and 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:

(Name) _____ (Title) _____
Phone: _____
Fax: _____
Toll Free: _____
Address: _____
City/State/Zip: _____

Date: _____

Network Operator Services, Inc.

Exhibit I

Management Profiles

Resumes of Key Officers

Tim Martin President, Director

Mr. Martin co-founded Network Operator Services, Inc., in 1988. He has been involved in various aspects of the telecommunications industry for nine years. Mr. Martin is a graduate of the University of Texas at Tyler.

Ron Martin Vice President, Director

Mr. Martin co-founded Network Operator Services, Inc., in 1988. He was previously a partner with TRM Communications, a company involved in the marketing, installation and maintenance of telephone systems, alarm systems, and other electronic communications equipment. Mr. Martin has been involved in various marketing positions since attending Stephen F. Austin State University in 1977.

Linda Martin Secretary

Ms. Martin joined the Company in late 1988. Prior to joining the Company, Ms. Martin was involved in various management, supervisory and sales positions at a statewide health club organization. Ms. Martin works in the operations side of the business.

Ron Hutchison Treasurer, Chief Executive Officer

Mr. Hutchison joined Network Operator Services, Inc., in July 1990. He was previously the chief operating and financial officer of Professional Investors Life Insurance Company and its subsidiaries. Prior to his involvement with Professional Investors, Mr. Hutchison was a senior manager with the accounting firm of Ernst & Young. Mr. Hutchison oversees all operations of the Company and ensures the implementation of financial and operating strategies. Mr. Hutchison received his BBA in Accounting from Texas Tech University.

Network Operator Services, Inc.

Exhibit II

Financial Statements

Network Operator Services, Inc.

Statement of Income
Six Months Ending July 31, 2002

	<u>NOS Combined</u>
Total Revenue	4,210,475
Expenses:	
Cost of Service	
Operator Wages	1,408,951
Telephone Services	574,284
Billings & Collections, Bad Debt	291,648
Other	110,826
Total Cost of Service	<u>2,385,709</u>
 Selling, General and Administrative	 1,242,424
 Total Operating Expenses	 3,628,133
 Operation (Loss) Income	 <u><u>582,342</u></u>
 Other Income / (Expense)	
Depreciation & Amortization	(362,366)
Interest Income	63,316
Interest Expense	(137,662)
Gain on Sale of Division	-
Investment Income	105,803
Other Income / (Expense)	(7,744)
Total Other Income / (Expense)	<u>(338,653)</u>
 Net Income	 <u><u>243,689</u></u>

NOS
COMBINED INCOME STATEMENT
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2001

	NOS
	ACTUAL
REVENUE	
GROSS SALES	\$ 10,061,872
TOTAL REVENUE	10,061,872
COST OF SALES	
COST OF SALES	8,105,690
TOTAL COST OF SERVICE	8,105,690
GROSS PROFIT	1,956,182
OPERATING EXPENSES	
OPERATING EXPENSES	3,255,987
TOTAL OPERATING EXPENSES	3,255,987
NET OPERATING INCOME(LOSS)	(1,299,805)
OTHER INCOME(EXPENSE)	
DEPRECIATION & AMORTIZATION	(626,796)
OTHER INCOME/(EXPENSE)	57,523
INTEREST EXPENSE	(313,901)
INTEREST INCOME	156,432
INVESTMENT INCOME	(27,007)
FIXED ASSET DISPOSITION	0
OTHER ADJUSTMENTS--GAIN/LOSS	340,221
TOTAL OTHER INCOME(EXPENSE)	(413,528)
NET INCOME(LOSS)	\$ (1,713,333)

Network Operator Services, Inc.

Statements of Income
Combined Operations
Twelve Months Ending December 31, 2000

	<u>Combined</u>
Revenue	<u>68,318,114</u>
Cost and Expenses:	
Cost of Operations	
Commissions	28,807,217
Telephone Services	23,175,600
Billings, Collections and Doubtful Accounts	4,431,429
Operator Wages	2,880,618
Other	1,113,262
Total Cost of Operations	<u>60,408,126</u>
Selling, General and Administrative	6,185,586
Earnings Before Interest, Tax, Depr and Amort (EBITDA)	<u>1,779,549</u>
Depreciation & Amortization	386,048
Operation (Loss) Income	<u>1,338,354</u>
Non-Operating Other Income / (Expense)	
Interest Income	90,982
Interest Expense	(297,123)
Gain on sale of Long distance Division	1,617,318
Write-Off - Bad Debts	(166,268)
Other	(7,239)
Other Income / (Expense)	66,156
	<u>1,303,826</u>
	<u>2,642,180</u>

Network Operator Service, Inc.

Comparative Balance Sheet

	6/30/2002	12/31/2001	12/31/2000
Assets			
Cash & Equivalents	38,818	31,569	619,591
Accts Receivable (net)	982,712	805,601	5,062,741
Prepays, Deposits	156,732	134,936	384,928
Notes Receivable	101,319	178,787	88,670
Investments	404,961	282,652	1,399,432
Fixed Assets (net)	1,533,649	1,708,618	1,239,590
Intercompany Receivables	1,291,571	1,602,614	1,473,852
Total Assets	<u>4,509,761</u>	<u>4,744,778</u>	<u>10,268,804</u>
Liabilities			
Accts Payable Current	764,587	997,562	3,980,939
Accrued Payroll	100,108	88,318	402,365
PIN liability			4,312,319
Notes Payable & LOC	1,355,697	1,327,579	
Intercompany/Other	54,608	112,153	
Total Liabilities	<u>2,275,000</u>	<u>2,525,612</u>	<u>8,695,624</u>
Equity			
Stockholder Notes	1,093,989	1,205,426	1,510,007
Paid in Capital	437,793	437,793	437,793
Deferred Gain PPD Sale	2,970,854	2,970,854	
Distributions		(294,843)	(700,000)
Ret Earn (Current)	124,032	(1,713,333)	1,607,413
Ret Earn (Prior)	(2,391,907)	(386,732)	(1,282,033)
Total Equity	<u>2,234,760</u>	<u>2,219,166</u>	<u>1,573,181</u>
Total Liabilities & Equity	<u>4,509,761</u>	<u>4,744,778</u>	<u>10,268,804</u>

Network Operator Services, Inc.

Statement of Income
Year Ended December 31, 1999

	Network Operator Services Combined
Revenue	<u>37,043,260</u>
Cost and Expenses:	
Cost of Operations	
Commissions	14,305,171
Telephone Services	9,409,033
Billings, Collections and Doubtful Accounts	3,225,435
Operator Wages	2,195,449
Other	603,226
Total Cost of Operations	<u>29,738,314</u>
Selling, General and Administrative	4,767,620
Earnings Before Interest, Tax, Depr and Amort (EBITDA)	<u>2,537,326</u>
Depreciation & Amortization	532,516
Operation (Loss) Income	<u><u>2,004,810</u></u>

Network Operator Services
Balance Sheet
December 31, 1999

Assets	
Cash	(19,200.30)
Accts Rec (net)	5,036,771.08
Prepays, Deposits	272,743.34
Notes Receivable	637,863.00
Investments	1,973,719.46
Fixed Assets (net)	939,020.88
Other Assets	<u>(36,039.96)</u>
Total Assets	<u>8,804,877.50</u>
Liabilities	
Accts Payable Current	6,960,772.77
Notes Payable	<u>2,717,772.25</u>
Total Liabilities	<u>9,678,545.02</u>
Equity	
Paid in Capital	427,793.15
Capital Stock	10,000.00
Distributions	
Ret Earn (Current)	(54,714.48)
Ret Earn (Prior)	<u>(1,256,746.19)</u>
Total Equity	<u>(873,667.52)</u>
Total Liabilities & Equity	<u>8,804,877.50</u>

ATTACHMENT II
NETWORK OPERATOR SERVICES, INC.
Financial Resources Statement

Network Operator Services, Inc. ("NOS") is providing financial statements for year end 1999, 2000 and 2001 as well as the year to date 2002 statements as well. The current statement shows the company with has current assets of \$1,279,581 and current liabilities of \$864,695 and a current ratio of 1.48 to 1.

NOS currently provides services throughout the state of Florida. There is minimal capital requirements or expenses for the company to expand to offer local services within Florida. All transmission will be provided by the underlying carrier. The company has structured its retail pricing so that its revenues will cover its cost, thus assuring an almost instantaneous positive cash flow.

The company also points to the resumes provided with the application. These resumes show that NOS has the managerial experience and entrepreneurial skill necessary to run the company.