

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

DIVISION OF COMMUNICATIONS
BUREAU OF SERVICE EVALUATION
101 E. Gaines Street
Fletcher Building
Tallahassee, Florida 32399-0866

APPLICATION FORM
for
AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICE
WITHIN THE STATE OF FLORIDA

Instructions

- A. This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee (See Appendix A).
- B. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.
- C. Use a separate sheet for each answer which will not fit the allotted space.
- D. If you have questions about completing the form, contact:

Florida Public Service Commission
Division of Communications
Bureau of Service Evaluation
101 East Gaines Street
Tallahassee, Florida 32399-0866
(904) 488-1280

- E. Once completed, submit the original and twelve (12) copies of this form along with a non-refundable application fee of \$250.00 to:

Florida Public Service Commission
Division of Administration, Room G-50
101 East Gaines Street
Tallahassee, Florida 32399-0850
(904) 488-4733

FORM PSC/CMU 31 (4/91)
Required by Commission Rule Nos. 25-24.471,
25-24.473 & 25-24.480(2)

DOCUMENT NUMBER-DATE
12672 NOV 25 88
FPSC-RECORDS/REPORTING

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

- Original Authority (New company).
- Approval of Transfer (To another certificated company).
- Approval of Assignment of existing certificate (To a noncertificated company).
- Approval for transfer of control (To another certificated company).

2. Name of corporation, partnership, cooperative, joint venture or sole proprietorship:

Strategic Telecom Systems, Inc.
6420 Baum Drive
Knoxville, TN 37919

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

Strategic Telecom Systems, Inc. ("STS")

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

6420 Baum Drive
Knoxville, Tennessee 37919
Phone: (423) 584-4460

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

None

6. Structure of organization:

- Individual
- Foreign Corporation
- General Partnership
- Other, _____
- Corporation
- Foreign Partnership
- Limited Partnership

7. If applicant is an individual or partnership, please give name, title and address of sole proprietor or partners.

- (a) Provide proof of compliance with the foreign limited partnership statute (Chapter 620.169 FS), if applicable.

- (b) Provide proof of compliance with the fictitious name statute (Chapter 865.09 FS), if applicable.

Fictitious name registration number: _____

- (c) Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.

(2) 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.

8. If incorporated, please give:

- (a) Proof from the Florida Secretary of State that the applicant has authority to operate in Florida.

Corporate charter number: F96060005920

- (b) Name and address of the company's Florida registered agent.

NRAI Services, Inc.
526 E. Park Avenue, Tallahassee, FL 32301

- (c) Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.

No

(2) 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.

9. Who will serve as liaison with the Commission in regard to (please give name, title, address and telephone number):

(a) The application; Leon L. Nowalsky
3500 N. Causeway Blvd., Suite 1442
Metairie, LA 70002
Phone: (504) 832-1984

(b) Official Point of Contact for the ongoing operations of the company;
Anthony R. Catinella, President
6420 Baum Drive
Knoxville, TN 37919

(c) Tariff;
Monica R. Borne, Nowalsky & Bronston
3500 N. Causeway Blvd., Suite 1442 Fax: (504) 831-6292
Metairie, LA 70002 Phone: (504) 832-1984

(d) Complaints/Inquiries from customers;
Anthony R. Catinella, President
6420 Baum Drive, Knoxville, TN 37919
Phone: (423) 584-4460

10. List the states in which the applicant:

(a) Has operated as an interexchange carrier.

All states not requiring certification for prepaid calling card service.

(b) Has applications pending to be certificated as an interexchange carrier.

Louisiana and Alabama

(c) Is certificated to operate as an interexchange carrier.

(d) Has been denied authority to operate as an interexchange carrier and the circumstances involved. None

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

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

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

MTS with distance sensitive per minute rates
 Method of access is FGA
 Method of access is FGB
 Method of access is FGD
 Method of access is 800

MTS with route specific rates per minute
 Method of access is FGA
 Method of access is FGB
 Method of access is FGD
 Method of access is 800

MTS with statewide flat rates per minute (i.e. not distance sensitive)
 Method of access is FGA
 Method of access is FGB
 Method of access is FGD
 Method of access is 800

MTS for pay telephone service providers

Block-of-time calling plan (Reach out Florida, Ring America, etc.).

800 Service (Toll free)

- WATS type service (Bulk or volume discount)
- Method of access is via dedicated facilities
- Method of access is via switched facilities

- Private Line services (Channel Services)
(For ex. 1.544 mbs., DS-3, etc.)

- Travel Service
 - Method of access is 950
 - Method of access is 800

- Prepaid Calling Card Service
- 900 service

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

Services included are:

- Station assistance
- Person to Person assistance
- Directory assistance
- Operator verify and interrupt
- Conference Calling
- Other:

12. What does the end user dial for each of the interexchange carrier services that were checked in services included (above).

Access code and number

13. What services will the applicant offer to other certificated telephone companies:

- () Facilities. () Operators.
- () Billing and Collection. () Sales.
- () Maintenance.
- () Other: _____

14. Will your marketing program:

- Pay commissions?
- Offer sales franchises?
- Offer multi-level sales incentives?
- Offer other sales incentives?

15. Explain any of the offers checked in question 15 (To whom, what amount, type of franchise, etc.).

Commissions paid on volume sold to agents and/or distributors.

16. Who will receive the bills for your service (Check all that apply)?

- Residential customers. Business customers.
- PATS providers. PATS station end-users.
- Hotels & motels. Hotel & motel guests.
- Universities. Univ. dormitory residents.
- Other: (specify) _____.

17. Please provide the following (if applicable):

(a) Will the name of your company appear on the bill for your services, and if not who will the billed party contact to ask questions about the bill (provide name and phone number) and how is this information provided?

(b) Name and address of the firm who will bill for your service.

Underlying carrier(S).

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

Attached

**** APPLICANT ACKNOWLEDGEMENT STATEMENT ****

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of \$50 is required.
2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of one 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:** A non-refundable application fee of \$250.00 must be submitted with the application.
5. **LEC BYPASS RESTRICTIONS:** I acknowledge the Commission's policy that interexchange carriers shall not construct facilities to bypass the LECs without first demonstrating to the Commission that the LEC cannot offer the needed facilities at a competitive price and in a timely manner.
6. **RECEIPT AND UNDERSTANDING OF RULES:** I acknowledge receipt and understanding of the Florida Public Service Commission's Rules and Orders relating to my provision of interexchange telephone service in Florida. I also understand that it is my responsibility to comply with all current and future Commission requirements regarding interexchange telephone service.
7. **ACCURACY OF APPLICATION:** By my signature below, I attest to the accuracy of the information contained in this application and associated attachments.


Anthony R. Catinella
Typed name and signature of owner
or chief officer.

11/21/96
Date

ATTACHMENTS:

- A - CERTIFICATE TRANSFER STATEMENT
 - B - CUSTOMER DEPOSITS AND ADVANCE PAYMENTS
 - C - INTRASTATE NETWORK
 - D - FLORIDA TELEPHONE EXCHANGES
AND EAS ROUTES
 - E - GLOSSARY
- FORM PSC/CHU 31 (4/91)

**** APPENDIX A ****

CERTIFICATE TRANSFER STATEMENT

Not applicable

I, (TYPED NAME)

current holder of certificate number _____, have reviewed this application and join in the petitioner's request.

**Signature of owner or chief
officer of the certificate
holder**

Title

Date

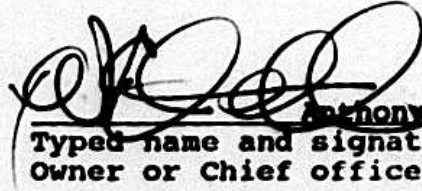
**** APPENDIX B ****

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

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

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

- () The applicant will file with the Commission and maintain a surety bond in an amount equal to the current balance of deposits and advance payments in excess of one month. (Bond must accompany application.)



Anthony R. Catinella

Typed name and signature of
Owner or Chief officer

President

Title

11/21/96
Date

**** APPENDIX C ****

INTRASTATE NETWORK

- 1. POP: Addresses where located, and indicate if owned or leased. Not applicable**

1) 2)

3) 4)

- 2. SWITCHES: Address where located, by type of switch, and indicate if owned or leased. Not applicable**

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.**

Not applicable

1) POP-to-POP TYPE OWNERSHIP

2)

- 4. ORIGINATING SERVICE: Please provide the list of exchanges where you are proposing to provide originating service within thirty (30) days after the effective date of the certificate (Appendix D).**

All

5. **TRAFFIC RESTRICTIONS:** Please explain how the applicant will comply with the EAEA requirements contained in Commission Rule 25-24.471 (4) (a) (copy enclosed).

The Company's underlying carrier(s) will all be certified with the Commission and thereby required to be in compliance with all requirements.

6. **CURRENT FLORIDA INTRASTATE SERVICES:** Applicant has () or has not () previously provided intrastate telecommunications in Florida. If the answer is has, fully describe the following:

- a) What services have been provided and when did these services begin?
- b) If the services are not currently offered, when were they discontinued?


Anthony R. Catinella
Typed name and signature or
Owner or Chief officer.

President
Title

11/21/96
Date

•• APPENDIX D ••

FLORIDA TELEPHONE EXCHANGES
AND
HAS ROUTING

Describe the service area in which you hold yourself out to provide service by telephone company exchange. If all services listed in your tariff are not offered at all locations, so indicate.
Statewide (All areas)

In an effort to assist you, attached is a list of major exchanges in Florida showing the small exchanges with which each has extended area service (EAS):



Anthony R. Catinella
Typed name and signature of
Owner/Chief Officer

President _____
Date 11/21/94 _____

** FLORIDA EAS FOR MAJOR EXCHANGES **

| <u>Extended Service Area</u> | <u>with</u> | <u>These Exchanges</u> |
|------------------------------|-------------|--|
| PENSACOLA: | | Cantonment, Gulf Breeze Pace, Milton Holley-Navarro. |
| PANAMA CITY: | | Lynn Haven, Panama City Beach, Youngstown-Fountain and Tyndall AFB. |
| TALLAHASSEE: | | Crawfordville, Havana, Monticello, Panacea, Sopchoppy and St. Marks. |
| JACKSONVILLE: | | Baldwin, Ft. George, Jacksonville Beach, Callahan, Makville, Middleburg Orange Park, Ponte Vedra and Julington. |
| GAINESVILLE: | | Alachua, Archer, Brooker, Hawthorne, High Springs, Melrose, Micanopy, Newberry and Waldo. |
| OCALA: | | Belleview, Citra, Dunnellon, Forest Lady Lake (B21), McIntosh, Oklawaha, Orange Springs, Salt Springs and Silver Springs Shores. |
| DAYTONA BEACH: | | New Smyrna Beach. |
| TAMPA: | | Central None East Plant City North Hephyrhills South Palmetto West Clearwater |
| CLEARWATER: | | St. Petersburg, Tampa-West and Tarpon Springs. |
| ST. PETERSBURG: | | Clearwater. |
| LAKELAND: | | Bartow, Mulberry, Plant City, Polk City and Winter Haven. |

**** FLORIDA EAS MAJOR EXCHANGES CONTINUE ****

ORLANDO: Apopka, East Orange, Lake Buena Vista, Oviedo, Windermere, Winter Garden, Winter Park, Montverde, Reedy Creek, and Oviedo-Winter Springs.

WINTER PARK: Apopka, East Orange, Lake Buena Vista, Orlando, Oviedo, Sanford, Windermere, Winter Garden, Oviedo-Winter Springs, Reedy Creek, Geneva and Montverde.

TITUSVILLE: Cocoa and Cocoa Beach.

COCOA: Cocoa Beach, Eau Gallie, Melbourne and Titusville.

MELBOURNE: Cocoa, Cocoa Beach, Eau Gallie and Sebastian.

SARASOTA: Bradenton, Myakka and Venice.

FT. MYERS: Cape Coral, Ft. Myers Beach, North Cape Coral, North Ft. Myers, Pine Island, Lehigh Acres and Sanibel-Captiva Islands.

NAPLES: Marco Island and North Naples.

WEST PALM BEACH: Boynton Beach and Jupiter.

POMPANO BEACH: Boca Raton, Coral Springs, Deerfield Beach and Ft. Lauderdale.

FT. LAUDERDALE: Coral Springs, Deerfield Beach, Hollywood and Pompano Beach.

HOLLYWOOD: Ft. Lauderdale and North Dade.

NORTH DADE: Hollywood, Miami and Perrine.

MIAMI: Homestead, North Dade and Perrine

**** APPENDIX E ****

**** GLOSSARY ****

ACCESS CODE: The term denotes a uniform four or seven digit code assigned to an individual IXC. The five digit code has the form 10XXX and the seven digit code has the form 950-10XX.

BYPASS: Transmission facilities that go direct from the local exchange end user to an IXC point of presence, thus bypassing the local exchange company.

CARRIERS CARRIER: An IXC that provides telecommunications service, mainly bulk transmission service, to other IXC only.

CENTRAL OFFICE: A local operating unit by means of which connections are established between subscribers' lines and trunk or toll lines to other central offices within the same exchange or other exchanges. Each three (3) digit central office code (NXX) used shall be considered a separate central office unit.

CENTRAL OFFICE CODE: The term denotes the first three digits (NXX) of the seven (7) digit telephone number assigned to a customer's telephone exchange service.

COMMISSION: The Florida Public Service Commission.

COMPANY, TELEPHONE COMPANY, UTILITY: These terms may be used interchangeably herein and shall mean any person, firm, partnership or corporation engaged in the business of furnishing communication service to the public under the jurisdiction of the Commission.

DEDICATED FACILITY: The term denotes a transmission circuit which is permanently for the exclusive use of a customer or a pair of customers.

END USER: The term denotes any individual, partnership, association, corporation, governmental agency or any other entity which (A) obtains a common line, uses a pay telephone or obtains interstate service arrangements in the operating territory of the company or (B) subscribes to interstate services provided by an IXC or uses the services of the IXC when the IXC provides interstate service for its own use.

EQUAL ACCESS EXCHANGE AREAS: EAEA means a geographic area, configured based on 1987 planned toll center/access tandem areas, in which local exchange companies are responsible for providing equal access to both carriers and customers of carriers in the most economically efficient manner.

EXCHANGE: The entire telephone plant and facilities used in providing telephone service to subscribers located in an exchange area. An exchange may include more than one central office unit.

EXCHANGE (SERVICE) AREA: The territory, including the base rate suburban and rural areas served by an exchange, within which local telephone service is furnished at the exchange rates applicable within that area.

EXTENDED AREA SERVICE: A type of telephone service furnished under tariff provision whereby subscribers of a given exchange or area may complete calls to, and receive messages from, one or more other contiguous exchanges without toll charges, or complete calls to one or more other exchanges without toll message charges.

FACILITIES BASED: An IXC that has its own transmission and/or switching equipment or other elements of equipment and does not rely on others to provide this service.

FOREIGN EXCHANGE SERVICES: A classification of exchange service furnished under tariff provisions whereby a subscriber may be provided telephone service from an exchange other than the one from which he would normally be served.

FEATURE GROUPS: General categories of unbundled tariffs to stipulate related services.

Feature Group A: Line side connections presently serving specialized common carriers.

Feature Group B: Trunk side connections without equal digit or code dialing.

Feature Group C: Trunk side connections presently serving AT&T-C.

Feature Group D: Equal trunk access with subscription.

INTEREXCHANGE COMPANY: means any telephone company, as defined in Section 364.02(4), F.S. (excluding Payphone Providers), which provides telecommunication service between exchange areas as those areas are described in the approved tariffs of individual local exchange companies.

INTER-OFFICE CALL: A telephone call originating in one central office unit or entity but terminating in another central office unit or entity both of which are in the same designated exchange area.

INTRA-OFFICE CALL: A telephone call originating and terminating within the same central office unit or entity.

FORM PSC/CMU 31 (4/91)

INTRASTATE COMMUNICATIONS: The term denotes any communications in Florida subject to oversight by the Florida Public Service Commission as provided by the laws of the State.

INTRA-STATE TOLL MESSAGE: Those toll messages which originate and terminate within the same state.

LOCAL ACCESS AND TRANSPORT AREA: LATA means the geographic area established for the administration of communications service. It encompasses designated exchanges, which are grouped to serve common social, economic and other purposes.

LOCAL EXCHANGE COMPANY (LEC): Means any telephone company, as defined in Section 364.02(4), F.S., which, in addition to any other telephonic communication service, provides telecommunication service within exchange areas as those areas are described in the approved tariffs of the telephone company.

OPTIONAL CALLING PLAN: An optional service furnished under tariff provisions which recognizes a need of some subscribers for extended area calling without imposing the cost on the entire body of subscribers.

900 SERVICE: A service similar to 800 service, except this service is charged back to the customer based on first minute plus additional minute usage.

PIN NUMBER: A group of numbers used by a company to identify their customers.

PAY TELEPHONE SERVICE COMPANY: Means any telephone company, other than a Local Exchange Company, which provides pay telephone service as defined in Section 364.335(4), F.S.

POINT OF PRESENCE (POP): Bell-coined term which designates the actual (physical) location of an IXC's facility. Replaces some applications of the term "demarcation point."

PRIMARY SERVICE: Individual line service or party line service.

RESELLER: An IXC that does not have certain facilities but purchases telecommunications service from an IXC and then resells that service to others.

STATION: A telephone instrument consisting of a transmitter, receiver, and associated apparatus so connected as to permit sending and/or receiving telephone messages.

SUBSCRIBER, CUSTOMER: These terms may be used interchangeably herein and shall mean any person, firm, partnership, corporation, municipality, cooperative organization, or governmental agency supplied with communication service by a telephone company.

SUBSCRIBER LINE: The circuit or channel used to connect the subscriber station with the central office equipment.

SWITCHING CENTER: Location at which telephone traffic, either local or toll, is switched or connected from one circuit or line to another. A local switching center may be comprised of several central office units.

TRUNK: A communication channel between central office units or entities, or private branch exchanges.

EXHIBIT A

LIST OF OFFICERS AND DIRECTORS

Anthony R. Catinella
President/Director
6420 Baum Drive
Knoxville, TN 37919

David K. Hultquist
C.F.O./Treasurer/Director
6420 Baum Drive
Knoxville, TN 37919

Bert Schlegel
Vice-President/Director
6420 Baum Drive
Knoxville, TN 37919

Company Profiles

STS is the result of a vision shared by several unique individuals. Together they bring more than 40 years of sales and network marketing experience to the company. They are committed to the network marketing industry and understand that strong support and a well designed compensation plan are vital to the success of the STS independent representative.

Anthony "Rick" Catinella, President

Rick Catinella's experience as entrepreneur, real estate developer, and owner of diverse business interests brings a strong driving force to STS.

Since 1972 Rick has directed and implemented several start-up and marketing strategies for operating business. He pursued a career in commercial/industrial real estate development and construction, his company developing more than two million square feet of properties. He has developed and operated a specialty medical billing company and a medical collection agency.

Since 1990 he has been a founding partner and Chief Financial Officer/Chief Operating Officer of Global TeleMedia (GTM), a publicly traded/NASDAQ telecommunications and network marketing company. GTM was supported by 100,000 distributors and generated more than \$1.2 million in monthly billings from 1991 to 1995.

With a number of successful business ventures behind him, Rick has chosen to devote all his time and energy to developing STS.

Rick is a member and past president of several community boards, including the Knoxville Convention and Visitors Bureau and March of Dimes. His combination of proven leadership and management skills, along with an aggressive entrepreneurial spirit, are leading STS to record-setting growth.

David K. Hultquist, CFO/Treasurer

David Hultquist is responsible for all financial aspects of STS and oversees Management Information Systems (MIS) and Data Entry departments. His focus on quality, accuracy, and proficiency in job performance is paramount to the day-to-day operation of the company.

From 1992 to 1995 David was Comptroller and MIS Director of Global TeleMedia International. Before joining Global TeleMedia, he spent five years working for a publicly held real estate financing company as Assistant Comptroller, and operated his own computer consulting company. He holds a B.B.A. in accounting from the University of Toledo.

Establishing and implementing cutting-edge management systems and policies are a major part of the expertise David brings to STS. Action and reaction are part of his daily experience. His analytical skills combined with his grasp of the inner workings of the STS program allow him to quickly assess the impact of any given situation. His drive for success and demand for accuracy are what converts your hard work into an STS paycheck each and every week.



P. 6

Bert Schlegel, Senior Vice-President and Director of Network Development

After 14 years as an electric company lineman and crew foreman, Bert Schlegel was introduced to network distribution in the late 1980s. Within four years he had proven himself to be the "best of the best" in qualifying for the Presidential Advisory Council (PAC 10), the Top 10 percent of money-earners, and had earned more than seven figures with an organization exceeding 13,000 distributors in the first 10 levels.

From 1992 until 1995 Bert was with Global TeleMedia International. He was the first member that Global TeleMedia recruited to develop the network marketing division, Global TeleMedia Network, where he was instrumental in organizing more than 100,000 distributors.

Bert works daily with all field representatives to market the SIS Program, helping them also to be the "best of the best."

EXHIBIT B

FINANCIAL ABILITY TO PROVIDE CONTINUOUS SERVICE

The Company 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 as evidenced by the 1995 year-end financial documents attached.

HARB & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

EXHIBIT (B)

STEVEN D. HARB, CPA
SALLY B. SNYDER, CPA
W. EDWARD SOUTHER, CPA
CLUE F. WILSON, CPA

MAILING ADDRESS:
P.O. BOX 10883
KNOXVILLE, TENNESSEE 37939

6426 BALUN DRIVE
KNOXVILLE, TENNESSEE 37919
(423) 584-9800
FAX (423) 584-9970

CONFIDENTIAL

March 26, 1996

Strategic Telecom Systems, Inc.
5731 Lyons View Drive
Knoxville, TN 37919

We have compiled the accompanying balance sheet of Strategic Telecom Systems, Inc. as of December 31, 1995 and the related statements of income and retained earnings and cash flows for the period from April 28, 1995, (date of commencement of operations) to December 31, 1995, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.


HARB & COMPANY CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS, P.C.

BALANCE SHEET
December 31, 1995

CONFIDENTIAL

ASSETS

CURRENT ASSETS

| | | |
|-------------------------------|----|------------|
| Regular Checking Account | \$ | 274,473.09 |
| Commission Account | | 100.00 |
| Petty Cash | | 150.00 |
| Returned Checks | | 30,614.68 |
| Accounts Receivable | | 117,913.62 |
| Marketing Supplies | | 119,843.00 |
| Activated Units | | 128,750.00 |
| Stock Subscription Receivable | | 1,000.00 |

TOTAL CURRENT ASSETS

672,844.39

PROPERTY AND EQUIPMENT

| | |
|--------------------------|------------|
| Printing Equipment | 121,406.00 |
| Accumulated Depreciation | <6,070.30> |

TOTAL PROPERTY AND EQUIPMENT

115,335.70

OTHER ASSETS

| | |
|-----------------------------|----------|
| Organization Costs | 1,200.00 |
| Accum Amort - Organiz Costs | <180.00> |

TOTAL OTHER ASSETS

1,020.00

TOTAL ASSETS

\$ 789,200.09

See Accountants' Compilation Report

STRATEGIC TELECOM SYSTEMS, INC.
BALANCE SHEET
December 31, 1995

CONFIDENTIAL

LIABILITIES AND CAPITAL

| | | |
|--|----|--------------------------|
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ | 115,752.23 |
| Commissions Payable | | 265,247.05 |
| Sales Tax Payable | | 238,275.35 |
| Accrued Liabilities | | 95,302.21 |
| Accrued Federal Income Tax | | 10,695.00 |
| Accrued TN Excise Tax | | 4,623.00 |
| TOTAL CURRENT LIABILITIES | | <u>729,894.84</u> |
| LONG TERM LIABILITIES | | |
| Deferred Federal Income Tax | | 4,156.00 |
| TOTAL LONG TERM LIABILITIES | | <u>4,156.00</u> |
| TOTAL LIABILITIES | | <u>734,050.84</u> |
| CAPITAL | | |
| Common Stock | | 1,000.00 |
| Net Income | | 54,149.25 |
| TOTAL CAPITAL | | <u>55,149.25</u> |
| TOTAL LIABILITIES & CAPITAL | \$ | <u><u>789,200.09</u></u> |

See Accountants' Compilation Report

INCOME STATEMENT
 For the period from April 28, 1995, (date of commencement of operations)
 to December 31, 1995

CONFIDENTIAL

| | YEAR TO DATE | % |
|---------------------------------|----------------------|--------|
| REVENUES | | |
| Sales of Debit Cards | \$ 14,322,243.81 | 82.63 |
| Other Sales | 3,009,706.68 | 17.37 |
| TOTAL REVENUES | <u>17,331,950.49</u> | 100.00 |
| COST OF SALES | | |
| Commissions | 8,755,996.81 | 50.52 |
| Network Costs | 4,641,984.81 | 26.78 |
| Other Costs | 835,889.38 | 4.82 |
| TOTAL COST OF SALES | <u>14,233,871.00</u> | 82.13 |
| GROSS PROFIT | <u>3,098,079.49</u> | 17.87 |
| EXPENSES | | |
| Personnel Costs | 675,341.94 | 3.90 |
| Overhead | 799,648.21 | 4.61 |
| Management Fees | 541,277.25 | 3.12 |
| Insurance | 12,698.96 | 0.07 |
| Amortization | 180.00 | 0.00 |
| Computer Expense | 280,000.00 | 1.62 |
| Contract Labor | 31,121.73 | 0.18 |
| Depreciation | 6,070.30 | 0.04 |
| Repairs & Maintenance/Equipment | 1,879.28 | 0.01 |
| Leasing Equipment | 874.88 | 0.01 |
| Business Entertainment | 9,319.56 | 0.05 |
| Business Development | 2,779.00 | 0.02 |
| Bank Service Charge | 9,222.64 | 0.05 |
| Accounting/Legal Consulting | 41,122.80 | 0.24 |
| Consulting/Training | 25,959.56 | 0.15 |
| Conventions | 30,793.10 | 0.18 |
| Telecommunications-Usage | 29,696.60 | 0.17 |
| Travel & Meals - Seminars | 86,427.86 | 0.50 |
| Travel - Auto | 4,436.38 | 0.03 |
| Telephone | 34,985.60 | 0.20 |
| Supplies | 363,793.16 | 2.10 |
| Advertising | 1,113.95 | 0.01 |
| Postage | 24,639.08 | 0.14 |
| Freight | 1,199.70 | 0.01 |
| Federal Income Tax Expense | 14,851.00 | 0.09 |
| TN Excise Tax | 4,623.00 | 0.03 |
| Misc. Expenses | 10,274.70 | 0.06 |
| TOTAL EXPENSES | <u>3,043,930.24</u> | 17.56 |
| NET INCOME | <u>\$ 54,149.25</u> | 0.31 |

See Accountants' Compilation Report

STRATUS TELECOM SYSTEMS, INC.
STATEMENT OF RETAINED EARNINGS
 For the period from April 28, 1995, (date of commencement of operations)
 to December 31, 1995

CONFIDENTIAL

| | | |
|--|----|------------------|
| Retained Earnings at beginning of year | \$ | 0.00 |
| Net income for the year | | <u>54,149.25</u> |
| Retained Earnings at end of year | \$ | <u>54,149.25</u> |

See Accountants' Compilation Report

CONFIDENTIAL

STRATEGIC TELECOM SYSTEMS, INC
STATEMENT OF CASH FLOWS

For the period from April 28, 1995, (date of commencement of operations)
to December 31, 1995

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|-------------------|
| Net income (loss) | \$ 54,149.25 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation and amortization | 6,250.30 |
| (Increase) decrease in: | |
| Accounts receivable | (148,528.30) |
| Marketing supplies | (119,843.00) |
| Activated units | (128,750.00) |
| Stock subscription receivable | (1,000.00) |
| Increase (decrease) in: | |
| Accounts payable | 115,752.23 |
| Commissions payable | 265,247.05 |
| Sales tax payable | 238,275.35 |
| Accrued liabilities | 95,302.21 |
| Accrued taxes | 15,318.00 |
| Deferred taxes | 4,156.00 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>396,329.09</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|---------------------|
| Equipment additions | (121,406.00) |
| Organization costs | (1,200.00) |
| NET CASH USED BY INVESTING ACTIVITIES | <u>(122,606.00)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|---|-----------------|
| Proceeds from common stock | 1,000.00 |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | <u>1,000.00</u> |

NET INCREASE (DECREASE) IN CASH 274,723.09

CASH AT BEGINNING OF YEAR 0.00
CASH AT END OF YEAR \$ 274,723.09

EXHIBIT C



FLORIDA DEPARTMENT OF STATE
Sandra B. Mortham
Secretary of State

November 13, 1996

NOWALKY & BRONSTON
3900 N. CAUSEWAY BLVD., #1275
METARIE, LA 70002

Qualification documents for STRATEGIC TELECOM SYSTEMS, INC. were filed on November 13, 1996 and assigned document number F96000005920. Please refer to this number whenever corresponding with this office.

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

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

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

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

Freta Lott
Corporate Specialist Supervisor
Division of Corporations

Letter Number: 996A00051863

**APPLICATION BY FOREIGN CORPORATION FOR AUTHORIZATION TO
TRANSACTION BUSINESS IN FLORIDA**

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

1. Strategic Telecom Systems, Inc.

(Name of corporation: must include the word "INCORPORATED", "COMPANY", "CORPORATION" or words or abbreviations of like import in language as will clearly indicate that it is a corporation instead of a natural person or partnership if not so contained in the name at present.)

2. Tennessee

(State or country under the law of which it is incorporated)

3. 62-1600705

(FEI number, if applicable)

4. _____

(Date of incorporation)

5. Perpetual

(Duration: Year corp. will cease to exist or "perpetual")

6. upon acceptance of application

(Date first transacted business in Florida. (See sections 607.1801, 607.1802, and 617.705, F.S.)

7. 6420 Baum Drive

Knoxville, Tennessee 37919

(Current mailing address)

8. The sale of prepaid and other enhanced telecommunications services.

(Purposes) of corporation authorized in home state or country to be carried out in the state of Florida)

9. **Name and street address of Florida registered agent:**

Name: NRAI Services, Inc.

Office Address: 526 E. Park Avenue

Tallahassee

Florida

32301

(Zip Code)

10. **Registered agent's acceptance:**

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

NRAI Services, Inc.

By: Charles A. Coyle

(Registered agent's signature)

Charles A. Coyle - Assistant Secretary

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

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

A. DIRECTORS

Chairman: Anthony Catinella
Address: 6420 Baum Drive
Knoxville, TN. 37919

Vice Chairman: David Hulquist
Address: 6420 Baum Drive
Knoxville, TN. 37919

Director: Bert Schlegel
Address: 6420 Baum Drive
Knoxville, TN. 37919

Director: _____
Address: _____

B. OFFICERS

President: Anthony Catinella
Address: 6420 Baum Drive
Knoxville, TN. 37919

Vice President: Bert Schlegel
Address: 6420 Baum Drive
Knoxville, TN. 37919

Secretary: David Hulquist
Address: 6420 Baum Drive
Knoxville, TN. 37919

Treasurer: David Hulquist
Address: 6420 Baum Drive
Knoxville, TN. 37919

RECEIVED
FALLMASSE, LONDON
56 NOV 13 PM 4:16

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

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

14. Anthony Catinella President
(Typed or printed name and capacity of person signing application)

Secretary of State

Corporations Section

James K. Polk Building, Suite 1800

Nashville, Tennessee 37243-0306

ISSUANCE DATE: 11/05/1996
REQUEST NUMBER: 3239-0719A
TELEPHONE CONTACT: (615) 741-6488

CHARTER/QUALIFICATION DATE: 05/18/1995
STATUS: ACTIVE
CORPORATE EXPIRATION DATE: PERPETUAL
CONTROL NUMBER: 0294977
JURISDICTION: TENNESSEE

TO:
TOM JACKSON & ASSOC IATES
3100 W END AVENUE
SUITE 1210
NASHVILLE, TN 37203

REQUESTED BY:
TOM JACKSON & ASSOC IATES
3100 W END AVENUE
SUITE 1210
NASHVILLE, TN 37203

CERTIFICATE OF EXISTENCE

I, RILEY C DARNELL, SECRETARY OF STATE OF THE STATE OF TENNESSEE DO HEREBY CERTIFY THAT

"STRATEGIC TELECOM SYSTEMS, INC."

IS A CORPORATION DULY INCORPORATED UNDER THE LAW OF THIS STATE WITH DATE OF INCORPORATION AND DURATION AS GIVEN ABOVE;
THAT ALL FEES, TAXES, AND PENALTIES OWED TO THIS STATE WHICH AFFECT THE EXISTENCE OF THE CORPORATION HAVE BEEN PAID;
THAT THE MOST RECENT CORPORATION ANNUAL REPORT REQUIRED HAS BEEN FILED WITH THIS OFFICE; AND
THAT ARTICLES OF DISSOLUTION HAVE NOT BEEN FILED; AND
THAT ARTICLES OF TERMINATION OF CORPORATE EXISTENCE HAVE NOT BEEN FILED

RECORDED
NASHVILLE, TENN.
NOV 13 PM 4:14

FOR: REQUEST FOR CERTIFICATE

ON DATE: 11/05/96

FROM:
TOM JACKSON & ASSOCIATES (1210 8TH AVE)
1210 8TH AVENUE S.
NASHVILLE, TN 37203-0000

RECEIVED: FEES \$60.00 \$60.00
TOTAL PAYMENT RECEIVED: \$120.00

RECEIPT NUMBER: 00002028551
ACCOUNT NUMBER: 00087419

Riley C Darnell

RILEY C. DARNELL
SECRETARY OF STATE



Secretary of State

Corporations Section

**225 K. Polk Building, Suite 1800
Nashville, Tennessee 37243-0306**

ISSUANCE DATE: 11/05/96
REQUEST NUMBER: 3239-0719A
TELEPHONE CONTACT: (615) 741-6488

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SUITE 1210
NASHVILLE, TN 37203

CERTIFICATE OF EXISTENCE

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INCORPORATION AND DURATION AS GIVEN ABOVE;
THAT ALL FEES, TAXES, AND PENALTIES OWED TO THIS STATE WHICH AFFECT THE
EXISTENCE OF THE CORPORATION HAVE BEEN PAID;
THAT THE MOST RECENT CORPORATION ANNUAL REPORT REQUIRED HAS BEEN FILED
WITH THIS OFFICE; AND
THAT ARTICLES OF DISSOLUTION HAVE NOT BEEN FILED; AND
THAT ARTICLES OF TERMINATION OF CORPORATE EXISTENCE HAVE NOT BEEN FILED

FILED
96 NOV 13 PM 4:14
TALAHASSEE, FLORIDA

FOR: REQUEST FOR CERTIFICATE

FROM:
TOM JACKSON & ASSOCIATES (1210 8TH AVE)
1210 8TH AVENUE S.
NASHVILLE, TN 37203-0000

ON DATE: 11/05/96

RECEIVED: FEES \$60.00 \$60.00
TOTAL PAYMENT RECEIVED: \$120.00

RECEIPT NUMBER: 00002028551
ACCOUNT NUMBER: 00087419

Riley C Darnell

RILEY C. DARNELL
SECRETARY OF STATE



EXHIBIT D

TITLE SHEET

STRATEGIC TELECOM SYSTEMS, INC.

TARIFF NO. 1

This tariff contains the description, regulations, and rates applicable to the provision of telecommunications service by STRATEGIC TELECOM SYSTEMS, INC. ("STS") with principal offices located at 6420 Baum Drive, Knoxville, Tennessee 37919. This tariff is on file with the Florida Public Service Commission and copies may be inspected during normal business hours at the Company's principal place of business.

ISSUED: NOV 25 1995

EFFECTIVE:

ISSUED BY: Anthony R. Catinella, President
Strategic Telecom Systems, Inc.
6420 Baum Drive
Knoxville, Tennessee 37919

CHECK SHEET

All sheets of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this page.

| <u>Sheet</u> | <u>Revision</u> |
|--------------|-----------------|
| 1 | Original |
| 2 | Original |
| 3 | Original |
| 4 | Original |
| 5 | Original |
| 6 | Original |
| 7 | Original |
| 8 | Original |
| 9 | Original |
| 10 | Original |
| 11 | Original |
| 12 | Original |
| 13 | Original |
| 14 | Original |
| 15 | Original |

ISSUED: NOV 25 1996**EFFECTIVE:****ISSUED BY:**

**Anthony R. Catinella, President
Strategic Telecom Systems, Inc.
6420 Baum Drive
Knoxville, Tennessee 37919**

TABLE OF CONTENTS

Title Sheet.....01
Check Sheet.....02
Table of Contents.....03
Symbols.....04
Tariff Format.....05
Section 1: Definitions and Abbreviations.....06
Section 2: Rules and Regulations.....08
Section 3: Description of Service.....11
Section 4: Rates and Charges.....15

ISSUED: NOV 25 1996

EFFECTIVE:

ISSUED BY:

**Anthony R. Catinella, President
Strategic Telecom Systems, Inc.
6420 Baum Drive
Knoxville, Tennessee 37919**

SYMBOLS

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

- D - Delete or Discontinue
- I - Change Resulting In An Increase of Rates
- M - Moved From Another Tariff Location
- N - New Material
- R - Change Resulting In A Reduction of Rates
- T - Change In Text or Regulation But No Change In Rate or Charge

ISSUED: NOV 25 1990

EFFECTIVE:

ISSUED BY:

Anthony R. Catinella, President
Strategic Telecom Systems, Inc.
6420 Baum Drive
Knoxville, Tennessee 37919

TARIFF FORMAT

- A. **Sheet Numbering** - Sheet numbers appear in the upper-right corner of the sheet. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff.
- B. **Sheet Revision Numbers** - Revision numbers also appear in the upper-right corner of the sheet. These numbers are used to determine the most current sheet version on file with the Commission. For example, 4th Revised Sheet 34 cancels 3rd Revised Sheet 34.
- C. **Paragraph Numbering Sequence** - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level of coding.
- 2.
 - 2.1.
 - 2.1.1.
 - 2.1.1.A.
 - 2.1.1.A.1.
 - 2.1.1.A.1.(a)
 - 2.1.1.A.1.(a).I.
 - 2.1.1.A.1.(a).I.(i)
 - 2.1.1.A.1.(a).I.(i).(1)
- D. **Check Sheets** - When a tariff filing is made with the Commission, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new sheets are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this sheet if these are the only changes made to it (i.e., the format, etc., remains the same, just revised revision levels on some sheets). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current sheet on file with the Commission.

ISSUED: NOV 25 1996**EFFECTIVE:****ISSUED BY:**Anthony R. Catinella, President
Strategic Telecom Systems, Inc.
6420 Baum Drive
Knoxville, Tennessee 37919

SECTION 1 - DEFINITIONS AND ABBREVIATIONS

1.1 Definitions:

Application for Service - A standard order form which includes all pertinent billing, technical, and other descriptive information which will enable the carrier to provide the communication service as required.

Authorized User - A person, firm, corporation, or other entity authorized by the customer to receive or send communications.

Cancellation of Order - A customer-initiated request to discontinue processing a service order, either in part or in its entirety, prior to its completion.

Company - Strategic Telecom Systems, Inc., also referred to as "STS."

Completed Calls - Completed calls are calls answered on the distance end. In the event a customer is charged for an incomplete call, the carrier will issue a credit to the customer upon request.

Customer - The person, firm, corporation, or other entity which orders or uses the service and is responsible by law for payment for such service.

Day Rate Period - 8:00 a.m. through 4:59 p.m., Monday through Friday.

Disconnect - The disabling of circuitry preventing outgoing and incoming toll communication service provided by the carrier.

Evening Rate Period - 5:00 p.m. through 10:59 p.m., Sunday through Friday.

Holidays - The Company's recognized holidays are New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

Holiday Rate Period - The Evening Rate will apply to calls made on Carrier recognized Holidays listed herein, provided, however, that calls made on Holidays during the Night/Weekend Rate Period shall be billed at the lower of the Evening Rate and the Night/Weekend Rate.

ISSUED: NOV 25 1996

EFFECTIVE:

ISSUED BY:

Anthony R. Catinella, President
Strategic Telecom Systems, Inc.
6420 Baum Drive
Knoxville, Tennessee 37919

1.1 Definitions: (continued)

Message - A completed telephone call by a customer or user.

Night/Weekend Rate Period - 11:00 p.m. through 7:59 a.m., every day; 8:00 a.m. through 10:59 p.m. Saturday; and 8:00 a.m. through 4:59 p.m. Sunday.

Normal Business Hours - 8:00 a.m. to 5:00 p.m., Monday through Friday, excluding holidays.

1.2 Abbreviations:

FCC - Federal Communications Commission

IXC - Interexchange Carrier

LATA - Local Access Transport Area

LEC - Local Exchange Carrier

V&H - Vertical and Horizontal

ISSUED: NOV 25 1996

EFFECTIVE:

ISSUED BY: Anthony R. Catinella, President
Strategic Telecom Systems, Inc.
6420 Baum Drive
Knoxville, Tennessee 37919

SECTION 2 - RULES AND REGULATIONS

2.1 Carrier Undertaking

The Company provides prepaid calling card service to customers for their direct transmission of voice, data, and other types of telecommunications.

Communications originate when the customer accesses the network by dialing the number set forth on the prepaid calling card(s).

The services are provided for the period set forth on the individual prepaid calling card. Services can be renewed by the customer as set forth in this tariff.

2.2 Limitations on Service

Service is offered subject to the availability of the necessary facilities and/or equipment and subject to the provisions of this tariff.

ISSUED: NOV 25 1996

EFFECTIVE:

ISSUED BY: Anthony R. Catinella, President
Strategic Telecom Systems, Inc.
6420 Baum Drive
Knoxville, Tennessee 37919

2.3 Use of Service

Service may not be used for any unlawful purposes.

2.4 Limitation of Liability

2.4.1 The Company is not liable for any act or omission of any carrier(s) furnishing the underlying telecommunications services.

2.4.2 The Company shall be indemnified and held harmless by the customer against all claims arising out of any act or omission of the underlying carrier(s) in connection with their provision of service.

2.4.3 No agents or employees of other carriers shall be deemed to be agents or employees of the Company.

2.7 Customer Responsibility

2.7.1 All customers assume general responsibilities in connection with the provisions and use of the Company's prepaid calling card service. All customers are responsible for the following:

A. The customer is responsible for placing orders for service, paying all charges for service rendered and complying with all of the regulations governing the service. The customer is also responsible for assuring that its users comply with applicable regulations.

B. When placing an order for service, the customer may be required to provide:

1. The name(s) and address(es) of the person(s) responsible for the payment of service charges.
2. The name(s), telephone number(s), and address(es) of the customer contact person(s).

ISSUED: NOV 25 1998

EFFECTIVE:

**ISSUED BY: Anthony R. Catinella, President
Strategic Telecom Systems, Inc.
6420 Baum Drive
Knoxville, Tennessee 37919**

2.7.2 Deposits

No deposit is required for service.

2.7.3 Credit Allowance

Credit allowances for uncompleted calls will be issued upon customer request.

2.7.4 Payment and Billing

A. Prepaid Calling Card Service is paid in advance of the provision of service.

B. The customer is responsible for payment of all charges for service furnished to the customer under this tariff.

C. Customer is responsible for payment of all applicable federal, state and local taxes. These taxes are not included in the quoted rates.

2.7.5 Application of Charges

The charges for service are those charges in effect during the period in service was furnished.

2.7.6 Customer Complaint Procedure

Any complaints will be handled by the underlying carrier providing the service. The 800 number to call for assistance will be printed on the prepaid calling cards issued by the Company.

Any unresolved disputes may be directed to the attention of the Commission.

ISSUED: NOV 25 1996

EFFECTIVE:

ISSUED BY:

Anthony R. Catinella, President
Strategic Telecom Systems, Inc.
6420 Baum Drive
Knoxville, Tennessee 37919

SECTION 3 - DESCRIPTION OF SERVICE**3.1 Timing of Calls**

Chargeable time begins when the called party picks up the receiver, (i.e. When two-way communications, often referred to as "conversation time," is possible.). When the called party picks up is determined by hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. When software answer supervision is employed, up to sixty (60) seconds of ringing is allowed before it is billed as usage of the network. A call is terminated when the calling or called party hangs up.

There are no charges incurred if a call is not completed.

3.2 Start of Billing

The Start of Service date is the first day which service is available for use by the customer. The End of Service date is the last day or any portion thereof that service is provided to customer.

3.3 Calculation of Distance

Usage charges are generally flat rated. However, if a rate is based on the airline mileage between points, the calculations are made as follows:

The airline mileage between rate centers is determined by applying the formula below to the vertical and horizontal coordinates associated with the rate centers involved. The company uses the rate centers and associated vertical and horizontal coordinates defined by AT&T in its FCC tariff No. 10.

Formula:
$$\sqrt{\frac{(V1 - V2)^2 + (H1 - H2)^2}{10}}$$

3.4 Minimum Call Completion Rate

The customer can expect a call completion rate of 99% per 100 calls attempted during peak use periods.

ISSUED: NOV 25 1996**EFFECTIVE:**

ISSUED BY: Anthony R. Catinella, President
Strategic Telecom Systems, Inc.
6420 Baum Drive
Knoxville, Tennessee 37919

3.5 Service Offerings

The Company provides only prepaid calling card services.

3.5.1 Prepaid Calling Card Service

A. General:

Prepaid Calling Card Service is voice grade switched telecommunications service that allows an end user to place calls charged to prepaid cards issued by the company. The end user accesses the network by dialing an 800 number printed on the back of the card via a touch-tone telephone.

Cards will be offered to customers on a first come, first served basis. The number of cards offered by the company will be subject to technical limitations.

B. Unit Value:

Prepaid Calling Cards may be obtained from the company or authorized agent in various denominations with a per unit value which is inclusive of all taxes. One unit equals one minute (or fraction thereof) of domestic calling. The prices apply 24 hours per day, 7 days a week.

The value of the telecommunications service (in units or dollar) will be indicated on the card.

Credit allowances for failure of service will be granted in accordance with the terms set forth in this tariff.

ISSUED: NOV 25 1996

EFFECTIVE:

ISSUED BY:

Anthony R. Catinella, President
Strategic Telecom Systems, Inc.
6420 Baum Drive
Knoxville, Tennessee 37919

3.5.1 Prepaid Calling Card Service (continued)**C. Collector Cards:**

An additional fee will be incurred by the customer in instances where the card itself has value distinct from the value of the underlying telecommunications service. These instances occur where the card is specially printed to depict a picture of a licensed property or where the materials used in production of the card have independent value.

D. Exclusions:

The following types of calls can not be completed with Prepaid Calling Card Service:

- 1.) Calls to 700, 800, 900 and 950 numbers;
- 2.) Calls to Directory Assistance; and
- 3.) Operator Assisted Calls at a surcharge. (Call completion will be provided by customer service personnel at no charge to the customer if the customer encounters difficulty in completing a call.)

E. Card Depletion/Renewal and Expiration:

Prepaid Calling Cards will be reduced and depleted proportionately with customer usage. At the beginning of each call, the user will be notified as to the amount of minutes available on the card. Customers will be given a notice one minute before the card balance is depleted. When the available time is depleted, the card will be terminated.

The end user can extend the use of a Prepaid Calling Card by charging additional units on an authorized credit card. The system will "voice prompt" the user through the process necessary to purchase these additional increments or information may be provided directly to customer service representatives. An online credit check will be done to ensure that approved credit is available.

ISSUED: NOV 25 1996**EFFECTIVE:****ISSUED BY:**

Anthony R. Catinella, President
Strategic Telecom Systems, Inc.
6420 Baum Drive
Knoxville, Tennessee 37919

3.5.1 Prepaid Calling Card Service (continued)**E. (continued)**

Prepaid Calling Cards are non-refundable and will expire on the date specified on the card or one (1) year from the date of first use, unless a different term is specifically requested by the customer.

F. Special Responsibility

The company is not responsible for theft, loss or unauthorized use of any Prepaid Calling Card of the associated Personal Identification Number (PIN). Where applicable, the reseller of Prepaid Calling Cards is solely responsible for the collection and payment of all applicable federal, state and local use, excise, sales and/or privilege taxes, duties or similar fees assessed by any government body or regulatory authority in connection with the service.

G. Card Distributors

The company will make Prepaid Calling Cards available to wholesalers or distributors whose price per card will be based on the number of cards purchased and frequency of purchases.

ISSUED: NOV 25 1996**EFFECTIVE:****ISSUED BY:**

Anthony R. Catinella, President
Strategic Telecom Systems, Inc.
6420 Baum Drive
Knoxville, Tennessee 37919

SECTION 4 - RATES AND CHARGES

4.1. Usage Charges and Billing Increments

4.1.1 Usage Charges

Usage charges are generally flat rated and based on volume of usage.

4.1.2 Billing Increments

Usage is billed in accordance with the billing increments set forth in the individual product rate sections of this tariff. All partial usage will be rounded up to the next highest applicable billing increment.

4.1.3 Rounding

All calls are rounded to the next highest billing interval. Any partial cents per call will be rounded up to the next highest whole cent.

4.2 Prepaid Calling Card Service

Maximum of \$1.00 per minute. Rate per minute is based on number of cards and volume of minutes purchased.

4.3 Dishonored Check Charge

Any person submitting a dishonored check to the Company will be charged \$15.00 per check.

4.4 Special Promotions

Carrier will receive Commission approval prior to offering any Special Promotions. Any reduced rates offered under a Special Promotion will in no event last for more than 90 days per 12 month period.

ISSUED: NOV 25 1996

EFFECTIVE:

ISSUED BY: Anthony R. Catinella, President
Strategic Telecom Systems, Inc.
6420 Baum Drive
Knoxville, Tennessee 37919