

**SWIDLER
&
BERLIN**
CHARTERED

ORIGINAL

KATHLEEN L. GREENAN
ATTORNEY-AT-LAW

DIRECT DIAL
(202)945-6922
KLGREENAN@SWIDLAW.COM

July 17, 1998

VIA OVERNIGHT DELIVERY

DEPOSIT

DATE

10/1/98 X

Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak, Blvd.
Tallahassee, Florida 32399-0870

D 8 1 3

JUL 20 1998

Re: Application of Network Plus, Inc. for Authority to
Provide Alternative Local Exchange Service in Florida

Dear Ms. Bayó:

Enclosed for filing on behalf of Network Plus, Inc. ("Network Plus") please find an original and six (6) copies of Network Plus' above-referenced application. Also enclosed is a check in the amount of \$250.00 to cover the application filing fee.

Please date-stamp the extra copy and return it to the undersigned in the enclosed self-addressed, stamped envelope. Should you have any questions concerning this filing, please do not hesitate to contact me.

Very truly yours,



Kathleen L. Greenan

Counsel for Network Plus, Inc

Enclosures

cc: James J. Crowley, Esq.
Phyllis A. Whitten, Esq (w/o encl)

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

**APPLICATION FORM
for**

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

INSTRUCTIONS

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

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

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

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

Original authority (new company)

Approval of transfer (to another certificated company)

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

Approval of assignment of existing certificate (to a non-certificated company)

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

Approval for transfer of control (to another certificated company)

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

2. Name of applicant:

Network Plus, Inc. ("Network Plus" or the "Applicant.")

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

Network Plus, Inc.

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

Fictitious name registration number: Not applicable.

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

**Network Plus, Inc.
234 Copeland Street
Quincy, Massachusetts 02169
Telephone: 617/786-4000
Facsimile: 617/786-8406**

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

**Network Plus, Inc. ("Network Plus") currently does not have a mailing address in Florida. However, the name and address of Network's registered agent in Florida is: NRAI Services, Inc.
526 East Park
Tallahassee, FL 32301**

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"/> Joint Venture | <input type="checkbox"/> Other, Please explain _____ |

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

Not Applicable.

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

None of Network's officers, directors, nor any of the ten largest stockholders, have previously been adjudged bankrupt, mentally incompetent, or found guilty of any felony or any crime; nor are any such proceedings pending.

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

A copy of Applicant's certificate of authority to transact business in the State of Florida as a foreign corporation is attached hereto as Exhibit 1.

Corporate charter number: 04-3080723 (Federal ID Number)

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

Ongoing liaison: James J. Crowley, Executive Vice President, Network Plus, Inc., 234 Copeland Street, Quincy, MA 02169, Tel: 617/786-4000; Fax: 617/786-8406.

Liaison for Application: Andrew D. Lipman, Esq. & Kathleen L. Greenan, Esq., Swidler & Berlin Chartered, 3000 K Street, Suite 300, Washington, D.C. 20007-5116; Tel: 202/945-6922; Fax 202/424-7645.

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

Applicant currently is seeking authority to provide facilities-based local exchange telecommunications services in Connecticut, Georgia, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Tennessee and Vermont.

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

No.

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

No penalties have been imposed against the applicant in any other state.

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

Network's company toll free number for customer service is 1-800-225-5089; hours of operation are 24 hours, 7 days a week.

15. Please complete and file a price list in accordance with Commission Rule 25-24.825.

Network Plus will file a complete price list with the Commission in accordance with Commission Rule 25-24.825 prior to initiating service.

16. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide facilities-based local exchange service in Florida.

A. Financial capability. See Exhibit 2.

Regarding the showing of financial capability, the following applies:

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

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

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

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

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

If available, the financial statements should be audited financial statements.

If the applicant does not have audited financial statements, it shall be so stated. The unaudited financial statements should then be signed by the applicant's chief executive officer and chief financial officer. The signatures should attest that the financial statements are true and correct.

B. Managerial capability. See Exhibit 3.

C. Technical capability. See Exhibit 3.

(If you will be providing local intra-exchange switched telecommunications service, then state how you will provide access to 911 emergency service. If the nature of the emergency 911 service access and funding mechanism is not equivalent to that provided by the local exchange companies in the areas to be served, described in detail the difference.)

Network Plus will negotiate an E911/911 interconnection arrangement with the incumbent LECs that will allow it to complete 911 calls for its customers. Network Plus will coordinate with the agency operating the Public Service Answering Point ("PSAP") in each locality that it serves, in order to assure that 911 calls are routed and delivered in the manner desired by the PSAP. In those localities where E911 service has been implemented, Network Plus also will make arrangements for the proper delivery of Automatic Number Identification ("ANI") and Automatic Location Identification ("ALI") information to the PSAP.

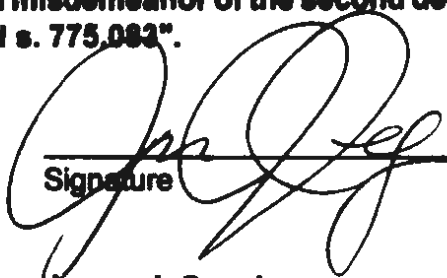
AFFIDAVIT

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

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

Official:

Signature



Date

7/14/98

Title:

James J. Crowley
Executive Vice President

617/786-4000
Telephone Number

Address:

234 Copeland Street
Quincy, Massachusetts 02169

EXHIBITS

EXHIBIT 1 Certificate of Authority to Transact Business

EXHIBIT 2 Financial Qualifications

EXHIBIT 3 Managerial and Technical Capability

EXHIBIT 1

Certificate of Authority to Transact Business

(Network Plus, Inc. is no longer using the d/b/s Hale & Father)

PREMIER COMMUNICATIONS

SERVICES

Simon & Schuster Business & Professional Group
190 Vermont Avenue, N.W.
Suite 450
Washington, DC 20005
202-408-3120
Fax: 202-408-3140

June 3, 1992

Network Plus, Inc.
300 Crown Colony Drive
Quincy, MA 02169

Attn: Mr. Robert R. Hale

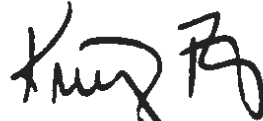
RE: NETWORK PLUS, INC.

Dear Mr. Hale:

I am please to confirm the filing of the Application for Certificate of Authority on behalf of the above named corporation in the State of Florida on May 18, 1992. In evidence thereof, enclosed please find evidence of the filing as issued by the office of the Secretary of State of Florida.

We appreciate this opportunity to have been of service.

Very truly yours,



Kristy Rice
Assistant to Sheila R. Hawkins

HKR/
encl.

Florida Department of State, Jim Smith, Secretary of State

STATEMENT OF CHANGE OF REGISTERED OFFICE OR REGISTERED AGENT OR BOTH FOR CORPORATIONS

Pursuant to the provisions of sections 607.0502, 617.0502, 607.1508, or 617.1508, Florida Statutes, the undersigned corporation organized under the laws of the State of Massachusetts submits the following statement in order to change its registered office or registered agent, or both, in the State of Florida.

FILED
10-11-92
MICHIGAN

1a. The name of the corporation is: _____
NETWORK PLUS, INC.

1b. Date of Incorporation May 18, 1992 Document number 238839

2. The name and address of the current registered agent and office:
The Prentice Hall Corporation System, Inc.

110 North Magnolia Street, Tallahassee, FL 32301

3. The name and address of the new registered agent and office:
(P.O. Box Not Acceptable)
Corporation Service Company

1201 Hays Street, Tallahassee, FL 32301

The street address of its registered agent and the street address of the business office of its registered agent as changed will be identical.

Such change was authorized by resolution duly adopted by its board of directors or by an officer so authorized by the board.

Robert T. Hale, Jr.
10/25/92
SIGNATURE
DATE

Robert T. Hale, Jr., President
Typed or printed name and title

HAVING BEEN NAMED AS REGISTERED AGENT AND TO ACCEPT SERVICE OF PROCESS FOR THE ABOVE STATED CORPORATION AT THE PLACE DESIGNATED IN THIS CERTIFICATE, I HEREBY ACCEPT THE APPOINTMENT AS REGISTERED AGENT AND AGREE TO ACT IN THIS CAPACITY. I FURTHER AGREE TO COMPLY WITH THE PROVISIONS OF ALL STATUTES RELATIVE TO THE PROPER AND COMPLETE PERFORMANCE OF MY DUTIES, AND I AM FAMILIAR WITH AND ACCEPT THE OBLIGATION OF MY POSITION AS REGISTERED AGENT.

By Brian Courtney, as
it's agent.

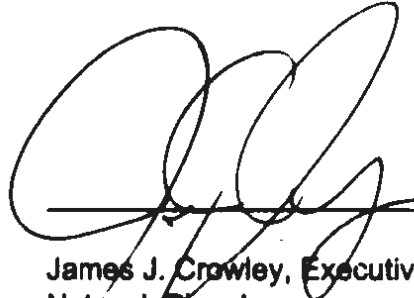
[Signature]
SIGNATURE
(Registered Agent)
11-5-92
DATE

Division of Corporations, P.O. Box 6327, Tallahassee, FL 32314

EXHIBIT 2

Financial Qualifications

Network Plus, Inc. has access to the financing and capital necessary to provide and maintain the telecommunications operations specified in the Application. Network Plus, Inc. is a Massachusetts corporation, formed on March 27, 1990, and does not yet have audited financial statements. The Company is well positioned and well qualified to meet the financing requirements necessary to enter the Florida local exchange market.



James J. Crowley, Executive Vice President
Network Plus, Inc.

✓

**NETWORK PLUS, INC.
FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED
MARCH 31, 1998**

**INDEX TO MARCH 31, 1998
FINANCIAL STATEMENTS**

NETWORK PLUS, INC.
BALANCE SHEETS
(Unaudited)

	<u>March 31,</u> <u>1998</u>	<u>December 31,</u> <u>1997</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$270,761	\$1,502,426
Accounts receivable, net of allowance for doubtful accounts of \$54,041 and \$925,964, respectively	16,566,575	16,926,985
Marketable securities	65,447	64,649
Investments	3,570,000	3,570,000
Prepaid expenses	885,221	414,657
Other current assets	114,639	112,476
Total current assets	<u>21,472,643</u>	<u>22,591,193</u>
PROPERTY AND EQUIPMENT, NET	6,719,457	6,957,475
OTHER ASSETS	164,104	102,663
TOTAL ASSETS	<u>\$28,356,204</u>	<u>\$29,651,331</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$19,049,701	\$17,445,256
Accrued liabilities	2,562,906	2,245,099
Revolving line of credit	1,870,000	4,510,000
Notes payable to stockholders	1,755,000	1,755,000
Current portion of debt and capital lease obligations	5,311,469	5,694,324
Total current liabilities	<u>30,549,076</u>	<u>31,649,679</u>
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	3,338,635	3,623,051
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, no par value, 20,000 shares authorized, 100 shares issued and outstanding	-	-
Paid-in capital	283,064	283,064
Retained earnings (deficit)	(5,814,571)	(5,904,463)
Total stockholders' equity	<u>(5,531,507)</u>	<u>(5,621,399)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$28,356,204</u>	<u>\$29,651,331</u>

The accompanying notes are an integral part of the financial statements.

NETWORK PLUS, INC.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
(Unaudited)

	Three Months Ended March 31,	
	1998	1997
Revenue	\$25,201,595	\$24,740,486
Direct cost of revenue	18,835,796	19,110,436
Gross profit	6,365,799	5,630,051
Selling, general and administrative expenses	5,555,058	5,126,365
Depreciation and amortization	467,768	156,495
	6,011,826	5,282,820
Operating income	353,973	347,231
Other income (expense):		
Interest and dividend income	3,460	21,845
Other income, net	21,035	15,528
Interest expense	(285,415)	(82,510)
	(260,992)	(45,137)
Income before state income taxes	93,053	302,094
Provision for state income taxes	-	25,543
Net income	\$ 93,053	\$ 276,551
Retained earnings (deficit), beginning	(3,811,872)	3,817,845
Distributions to stockholders	(3,161)	(286,001)
Retained earnings (deficit), ending	\$(3,721,980)	\$3,808,395

The accompanying notes are an integral part of the financial statements.

NETWORK PLUS, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	1998	1997
Cash flows from operating activities:		
Net income	\$ 93,053	\$ 276,551
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	467,768	156,495
(Gain) loss on disposal of fixed assets	(7,894)	-
Provision for losses on accounts receivable	246,451	327,028
Exercise of Tel-Save common stock warrants	-	(2,100,000)
(Increase) decrease in assets:		
Accounts receivable	113,959	(2,690,553)
Prepaid expenses	(470,564)	(7,739)
Other current assets	(2,163)	33,342
Other long-term assets	(61,441)	(20,000)
(Decrease) increase in liabilities:		
Accounts payable	1,604,445	5,402,695
Accrued liabilities	317,807	(453,004)
Net cash provided by operating activities	2,301,421	924,815
Cash flows from investing activities:		
Proceeds from disposal of fixed assets	16,647	-
Capital expenditures	(238,503)	(553,020)
Purchase of marketable securities	(798)	(720)
Net cash used for investing activities	(222,654)	(933,740)
Cash flows from financing activities:		
Net proceeds from (payments to) line of credit	(2,640,000)	1,100,000
Payments of debt and capital lease obligations	(667,271)	(47,580)
Distributions to stockholders	(1,236,647)	(286,001)
Net cash provided by (used for) financing activities	(3,310,432)	766,419
Net increase (decrease) in cash	(1,231,665)	1,137,494
Cash at beginning of period	1,502,426	2,240,869
Cash at end of period	\$ 270,761	3,378,363

The accompanying notes are an integral part of the financial statements

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders of
Network Plus, Inc.:

We have audited the accompanying balance sheets of Network Plus, Inc. as of December 31, 1997 and 1996, and the related statements of operations and retained earnings and cash flows for each of the three years in the period ended December 31, 1997. 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 an 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 Network Plus, Inc. as of December 31, 1997 and 1996, and the results of its operations and its cash flows for each of the three years ended December 31, 1997, in conformity with generally accepted accounting principles.

Boston, Massachusetts

March 11, 1998

[Dual date to be determined for discussion of refinancing]

**NETWORK PLUS, INC.
BALANCE SHEETS**

	December 31,	
ASSETS	1997	1996
CURRENT ASSETS		
Cash and cash equivalents	\$1,502,426	\$2,240,869
Accounts receivable, net of allowance for doubtful accounts of \$925,964 and \$850,000, respectively	16,926,985	14,973,825
Marketable securities	64,649	61,570
Investments	3,570,000	2,092,591
Prepaid expenses	414,657	308,043
Other current assets	112,476	93,069
Total current assets	22,591,193	19,769,967
PROPERTY AND EQUIPMENT, NET	6,957,475	3,075,382
OTHER ASSETS	102,663	69,480
TOTAL ASSETS	\$29,651,331	\$22,914,829
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$17,445,256	\$14,023,353
Accrued liabilities	2,245,099	1,933,702
Revolving line of credit	4,510,000	2,000,000
Notes payable to stockholders	1,755,000	-
Current portion of debt and capital lease obligations	5,694,324	192,821
Total current liabilities	31,649,679	18,149,876
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	3,623,051	664,044
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, no par value, 20,000 shares authorized, 100 shares issued and outstanding	-	-
Paid-in capital	283,064	283,064
Retained earnings (deficit)	(5,904,463)	3,817,845
Total stockholders' equity	(5,621,399)	4,100,909
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$29,651,331	\$22,914,829

The accompanying notes are an integral part of the financial statements.

NETWORK PLUS, INC.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

	Year Ended December 31,		
	1997	1996	1995
Revenue	\$98,209,097	\$75,134,648	\$49,023,909
Direct cost of revenue	78,106,311	57,207,673	35,064,525
Gross profit	20,102,786	17,926,975	13,959,384
Selling, general and administrative expenses	25,703,695	19,224,460	17,697,651
Depreciation and amortization	993,609	538,986	275,814
	26,697,304	19,763,446	17,973,465
Operating loss	(6,594,518)	(1,836,471)	(4,014,081)
Other income (expense):			
Interest and dividend income	85,710	94,663	202,283
Other income (expense) net	(2,013,497)	3,529,529	7,858,709
Interest expense	(557,091)	(312,283)	(39,780)
	(2,484,878)	3,311,909	8,021,212
Income (loss) before state income taxes	(9,079,296)	1,475,438	4,007,131
Provision for state income taxes	41,750	60,000	311,768
	(9,121,046)	\$ 1,415,438	\$ 3,695,363
Net income (loss)			
Retained earnings, beginning	3,817,845	3,639,054	1,834,047
Distributions to stockholders	(601,162)	(1,236,647)	(1,890,356)
Retained earnings (deficit), ending	\$(5,904,363)	\$ 3,817,845	\$ 3,639,054

The accompanying notes are an integral part of the financial statements.

**NETWORK PLUS, INC.
BALANCE SHEETS**

	December 31,	
ASSETS	1997	1996
CURRENT ASSETS		
Cash and cash equivalents	\$1,502,426	\$2,240,869
Accounts receivable, net of allowance for doubtful accounts of \$925,964 and \$850,000, respectively	16,926,985	14,973,825
Marketable securities	64,649	61,570
Investments	3,570,000	2,092,591
Prepaid expenses	414,657	308,043
Other current assets	112,476	93,069
Total current assets	22,591,193	19,769,967
PROPERTY AND EQUIPMENT, NET	6,957,475	3,075,382
OTHER ASSETS	102,663	69,480
TOTAL ASSETS	\$29,651,331	\$22,914,829
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$17,445,256	\$14,023,353
Accrued liabilities	2,245,099	1,933,702
Revolving line of credit	4,510,000	2,000,000
Notes payable to stockholders	1,755,000	-
Current portion of debt and capital lease obligations	5,694,324	192,821
Total current liabilities	31,649,679	18,149,876
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	3,623,051	664,044
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, no par value, 20,000 shares authorized, 100 shares issued and outstanding	-	-
Paid-in capital	283,064	283,064
Retained earnings (deficit)	(5,904,463)	3,817,845
Total stockholders' equity	(5,621,399)	4,100,909
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$29,651,331	\$22,914,829

The accompanying notes are an integral part of the financial statements.

NETWORK PLUS, INC.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

	Year Ended December 31,		
	1997	1996	1995
Revenue	\$98,209,097	\$75,134,648	\$49,023,909
Direct cost of revenue	78,106,311	57,207,673	35,064,525
Gross profit	20,102,786	17,926,975	13,959,384
Selling, general and administrative expenses	25,703,695	19,224,460	17,697,651
Depreciation and amortization	993,609	538,986	275,814
	26,697,304	19,763,446	17,973,465
Operating loss	(6,594,518)	(1,836,471)	(4,014,081)
Other income (expense):			
Interest and dividend income	85,710	94,663	202,283
Other income (expense) net	(2,013,497)	3,529,529	7,858,709
Interest expense	(557,091)	(312,283)	(39,780)
	(2,484,878)	3,311,909	8,021,212
Income (loss) before state income taxes	(9,079,296)	1,475,438	4,007,131
Provision for state income taxes	41,750	60,000	311,768
Net income (loss)	\$(9,121,046)	\$ 1,415,438	\$ 3,695,363
Retained earnings, beginning	3,817,845	3,639,054	1,834,047
Distributions to stockholders	(601,162)	(1,236,647)	(1,890,356)
Retained earnings (deficit), ending	\$(5,904,363)	\$ 3,817,845	\$ 3,639,054

The accompanying notes are an integral part of the financial statements.

NETWORK PLUS, INC.
STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	1997	1996	1995
Cash flows from operating activities:			
Net income (loss)	\$(9,121,046)	\$1,415,438	\$3,695,363
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation and amortization	993,609	532,632	275,814
(Gain) loss on disposal of fixed assets	(178)	380	-
Provision for losses on accounts receivable	4,104,382	1,101,537	887,231
Amortization of AT&T credits	-	(1,810,003)	(2,436,491)
Exercise of Tel-save common stock warrants received as consideration	(3,570,000)	(2,800,000)	-
Valuation of Tel-Save common stock warrants received as consideration	2,092,591	(2,092,591)	-
Proceeds from sale of Tel-Save common stock	-	4,167,000	-
Gain on sale of Tel-Save common stock	-	(1,367,000)	-
(Increase) decrease in assets:			
Accounts receivable	(6,057,542)	(1,584,767)	(7,967,503)
Prepaid expenses	(106,614)	(217,838)	(60,152)
Other current assets	(19,407)	11,110	198,035
Other long-term assets	(33,183)	(12,753)	484,413
(Decrease) increase in liabilities:			
Accounts payable	8,021,903	4,146,491	6,726,920
Accrued liabilities	311,397	(438,301)	659,352
Net cash provided by (used for) operating activities	(3,384,188)	1,051,335	2,463,021
Cash flows from investing activities:			
Proceeds from sale of fixed assets	9,000	-	-
Proceeds from sale of fixed assets to affiliate	-	33,920	535,435
Capital expenditures	(3,363,167)	(2,135,049)	(859,969)
Purchase of marketable securities	(3,079)	(3,002)	-
Proceeds from sale of marketable securities	-	90,000	140,751
Net cash used for investing activities	(3,357,246)	(2,014,131)	(183,783)
Cash flows from financing activities:			
Net proceeds from line of credit	2,510,000	2,000,000	-
Proceeds from note payable	-	1,000,000	-
Proceeds from notes payable to stockholders	1,755,000	-	-
Proceeds from sale and leaseback of fixed assets	3,450,000	-	-
Payments on debt and capital lease obligations	(1,110,847)	(167,415)	(13,095)
Distributions to stockholders	(601,162)	(1,236,647)	(1,890,356)
Net cash provided by (used for) financing activities	6,002,991	1,595,938	(1,903,451)

Net increase (decrease) in cash	(738,443)	633,142	375,787
Cash at beginning of year	<u>2,240,869</u>	<u>1,607,727</u>	<u>1,231,940</u>
Cash at end of year	<u>\$1,502,426</u>	<u>\$2,240,869</u>	<u>\$1,607,727</u>
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	<u>\$ 498,176</u>	<u>\$ 298,075</u>	<u>\$ 39,780</u>
Income taxes	<u>\$ 14,809</u>	<u>\$ 242,532</u>	<u>\$ 167,489</u>

The accompanying notes are an integral part of the financial statements

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Network Plus, Inc. (the "Company") is a switch-based carrier and switchless reseller of long distance telecommunications services, principally to small and medium-sized businesses throughout the United States. Revenues are derived from the sale of domestic and international telephone services, calling cards, debit cards and paging services. The Company operates two telephony switches, located in Quincy, Massachusetts and Orlando, Florida, and contracts with Sprint Communications Company, LP ("Sprint") to provide switching and dedicated voice and data services for a portion of the Company's telecommunications traffic.

Revenue Recognition and Accounts Receivable

Telecommunication revenues and accounts receivable are recognized when calls are completed or when services are provided. Accounts receivable include both billed and unbilled amounts, and are reduced by an estimate for uncollectible amounts.

Cash Equivalents

All highly liquid cash investments with maturities of three months or less at date of purchase are considered to be cash equivalents.

Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the improvements. Upon retirement or other disposition of property and equipment, the cost and related depreciation are removed from the accounts and the resulting gain or loss is reflected in earnings.

Capital Leases

Capital leases, those leases which transfer substantially all benefits and risks of ownership, are accounted for as acquisitions of assets and incurrences of obligations. Capital lease amortization is included in depreciation and amortization expense, with the amortization period restricted to the lease term. Interest on the related obligation is recognized over the lease term at a constant periodic rate.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Effective March 1, 1992, the Company elected by the consent of its stockholders to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay corporate federal income taxes on its taxable income. Instead, the stockholders are liable for individual income taxes on their share of the Company's taxable income. The Company continues to pay state income taxes in those states that do not fully recognize the Subchapter S provision and states which collect certain franchise taxes.

Concentration of Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable. In addition, risk exists in cash deposited in banks that may, at times, be in excess of FDIC insurance limits. Cash balances are managed daily to reduce revolving credit borrowings. The trade accounts receivable risk is limited due to the breadth of entities comprising the Company's customer base and their dispersion across different industries and geographical regions. The Company evaluates the credit worthiness of customers, as appropriate, and maintains an adequate allowance for potential uncollectible accounts.

Reclassifications

Certain amounts in the financial statements for prior years have been reclassified to conform with the current year presentation. Such reclassifications had no effect on previously reported results of operations.

2. RELATED PARTY TRANSACTIONS

In December 1997, the Company's stockholders issued the Company loans totaling \$1,755,000. Interest on the loans accrues at the prevailing prime rate (8.5% at December 31, 1997) and is payable monthly. There is no required period for principal repayment. The loans are expected to be repaid in 1998 and, accordingly, have been classified as a current liability in the accompanying balance sheet.

The Company had a service arrangement through May 1997 with a marketing company, the shareholders of which have a controlling interest in the Company. The marketing company provided services relative to establishing, training and expanding the Company's sales organization. For the years ending December 31, 1997, 1996 and 1995, the amounts paid to the marketing company were \$55,000, \$132,000 and \$197,000, respectively.

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

2. RELATED PARTY TRANSACTIONS (CONTINUED)

Office space, located in Quincy, MA, is leased from a trust, the beneficiaries of which are the same as the stockholders of the Company. The Company makes monthly rental payments of \$35,900. In each of the years ending December 31, 1997, 1996, and 1995, the amount paid to the trust was \$431,000.

3. MARKETABLE SECURITIES

Marketable securities are as follows:

	December 31, 1997	
	Cost	Fair Value
U.S. obligations	\$2,649	\$2,649
Other securities	62,000	62,000
	\$64,649	\$64,649

	December 31, 1997	
	Cost	Fair Value
U.S. obligations	\$2,520	\$2,520
Other securities	59,050	59,050
	\$61,570	\$61,570

4. INVESTMENTS AND SALE OF CUSTOMER BILLING BASE

Investments are as follows:

	December 31, 1997	
	Cost	Fair Value
Tel-Save Warrants	\$3,570,000	\$3,570,000

	December 31, 1996	
	Cost	Fair Value
Tel-Save Warrants	\$2,092,591	\$2,092,591

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

4. INVESTMENTS AND SALE OF CUSTOMER BILLING BASE (CONTINUED)

In 1995, the Company sold three separate billing bases of customer accounts to other telecommunications companies for cash totaling approximately \$8,422,000 and warrants to purchase shares of common stock of Tel-Save Holdings, Inc. ("Tel-Save"). The cash received was recognized as miscellaneous income in 1995. The Company was required to fulfill certain sales volume obligations in order to exercise the warrants. As of December 31, 1995, the Company had not met those obligations and, accordingly, had ascribed no value to the warrants.

During 1996, the Company met the sales volume obligations to exercise a portion of the outstanding warrants. Certain of these warrants were exercised and common stock related to those warrants were sold by the Company resulting in net proceeds and income of \$1,367,000. The remainder of the warrants that became exercisable in 1996 were subsequently exercised in 1997. These warrants were classified as investments and were valued at approximately \$2,092,000 at December 31, 1996 using an established valuation model at the date of valuation. A total of approximately \$3,459,000 was recognized as miscellaneous income in 1996 relating to these warrants.

In 1997, the Company met all of the obligations necessary to exercise the remaining warrants, and cash payments totaling \$3,570,000 were made to exercise all outstanding warrants. In total, warrants exercised in 1997 entitle the Company to 765,000 shares of Tel-Save common stock, subject to the registration of the shares by Tel-Save. The shares were registered in November 1997.

The agreements between Tel-Save and the Company require the transfer of ownership of the physical shares of common stock from Tel-Save to the Company upon the Company meeting certain requirements. The Company believes it has met these requirements and has requested consummation of the transfer of ownership, which has yet to occur. The Company is pursuing legal remedies to compel Tel-Save to honor the terms of the agreements.

Upon receipt of the physical shares of common stock, the Tel-Save common stock will be classified as available-for-sale in accordance with SFAS 115. SFAS 115 requires that available-for-sale investments that have readily determinable fair values be measured at fair value in the balance sheet and that unrealized holding gains and losses for these investments be reported as a separate component of stockholders' equity until realized. At December 31, 1997, the warrants are valued at the amount of cash paid in 1997. The \$2.1 million valuation recorded in 1996 was reversed in 1997 due to the non-marketable status of the warrants.

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

5. PROPERTY AND EQUIPMENT

	Estimated Useful Life	December 31,	
		<u>1997</u>	<u>1996</u>
Switching equipment	5 years	\$ 4,004,889	\$ 1,513,908
Computer equipment	3-5 years	2,755,561	948,027
Office furniture and equipment	7 years	1,271,554	1,156,910
Purchased software	3 years	693,507	274,927
Motor Vehicles	5 years	174,850	174,850
Leasehold improvements	Term of lease	130,533	91,677
		<u>9,030,894</u>	<u>4,160,299</u>
Less accumulated depreciation and amortization		<u>(2,073,419)</u>	<u>(1,084,917)</u>
		<u>\$ 6,957,475</u>	<u>\$ 3,075,882</u>

In 1997, upon review of the Company's experience and expectations for upgrades and replacement of equipment, the Company changed the estimated useful life of its switching equipment from 12 years to 5 years. Depreciation expense in 1997 was approximately \$136,000 more than what would have otherwise been reported had the change in estimate not been made. Annual depreciation expense related to these assets will be approximately \$407,000 more through 2002 than what would have otherwise been reported had the change not been made.

In August 1997, the Company entered into a sale and leaseback of its switching equipment. The equipment was sold at book value, which approximates market value, and, consequently, no gain or loss was recorded on the sale. The Company has the right to reacquire the equipment at the end of the lease's five-year term.

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

6. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	December 31,	
	<u>1997</u>	<u>1996</u>
Accrued interest	\$ 60,323	\$ 14,208
Accrued salaries, wages, commissions and related taxes	297,053	444,249
Customer deposits	361,410	124,825
Accrued income and franchise taxes	765,589	879,247
Accrued taxes other than income and franchise	237,554	375,085
Other accrued liabilities	523,170	96,088
	<u>\$2,245,099</u>	<u>\$1,933,702</u>

7. REVOLVING CREDIT AGREEMENT

The Company has a revolving line of credit with Fleet National Bank for borrowings up to \$7,000,000, including letters of credit, which expires on May 31, 1998. Borrowings in excess of \$5,000,000 are subject to a formula based arrangement based upon a percentage of accounts receivable. Interest is payable monthly at the bank's prime rate or available LIBOR options. The revolving line of credit requires the Company to meet certain debt service, liquidity and tangible net worth covenants. At December 31, 1997, cash borrowings under the line of credit totalled \$4,510,000 and letters of credit issued in the ordinary course of business totalled \$120,000. At December 31, 1996, cash borrowings under the line totalled \$2,000,000 and there were no outstanding letters of credit. The interest rate on such borrowings was 8.5% at December 31, 1997 and 8.25% at December 31, 1996. The maximum borrowings under the agreement in 1997 and 1996 were \$5,000,000 and \$3,000,000, respectively.

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

8. DEBT AND CAPITAL LEASE OBLIGATIONS

Debt and capital lease obligations consist of the following:

	December 31,	
	1997	1996
Notes payable	\$4,600,000	\$855,166
Capital lease obligations	4,717,375	1,699
	9,317,375	856,865
Less current portion	5,694,324	192,821
	\$3,623,051	\$664,044

The Company issued a promissory note, dated December 1, 1997, to Sprint for repayment of \$4,600,000 previously classified as accounts payable. Monthly principal payments are required from February 1998 through the note's maturity on September 1, 1998. Interest accrues at a fixed rate of 9.75% per annum on the unpaid principal balance and is payable monthly.

In January of 1996, the Company entered into a five-year term loan agreement in the amount of \$1,000,000 at a fixed rate of 8.11% per year, secured by switching equipment. This loan was repaid in October 1997. At December 31, 1996, the unpaid principal on the loan was \$846,085.

The Company's capital leases contain various covenants which, among other things, require specified ratios of total liabilities to net worth and net income requirements.

The Company has received commitments for a \$23 million revolving credit agreement from Fleet National Bank. The revolving credit agreement will have a term of three years and will replace the existing facility. Interest is payable monthly at the bank's prime rate or available LIBOR options. All outstanding notes payable are planned to be paid in full with proceeds from the new facility.

**NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

9. LEASE COMMITMENTS

The Company has entered into noncancellable operating leases for office space in several locations in the eastern United States. The leases have termination dates through 2003 and require the payment of various operating costs including condominium fees. Rental expense related to the leases for the years ended December 31, 1997, 1996 and 1995 were \$732,747, \$687,991 and \$501,012, respectively.

Minimum lease payments for the next five years and thereafter are as follows:

<u>Year Ended December 31,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
1998	\$ 1,254,025	\$ 683,720
1999	1,368,037	630,408
2000	1,230,331	346,209
2001	817,211	87,948
2002	749,174	89,752
Thereafter	-	75,055
Total minimum lease payments	<u>\$ 5,418,778</u>	<u>\$ 1,913,092</u>
Less imputed interest	<u>701,403</u>	
Present value of minimum lease payments	4,717,375	
Less current portion	<u>1,094,324</u>	
Long-term capital lease obligations	<u>\$ 3,623,051</u>	

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Property and equipment under capital leases are as follows:

	December 31,	
	1997	1996
Switching equipment	\$ 3,836,889	\$ -
Computer equipment	1,526,572	-
Office equipment	-	3,261
	5,363,461	3,261
Less accumulated amortization	(514,894)	(2,670)
	\$ 4,848,567	\$ 591

10. UNEARNED CREDITS

In 1993 and 1994, the Company, through special sales promotions offered through AT&T on three-year service contracts, received cash based on maintaining annual sales commitment levels over a specific dollar amount. The total amounts received from the AT&T promotions were amortized over the three-year length of each contract and were fully amortized prior to 1997. Amortization of these credits included in revenue in 1996 and 1995 was \$1,810,003 and \$3,347,648, respectively.

11. COMMITMENTS AND CONTINGENCIES

The Company is contingently liable as a guarantor on a bank loan made to the trust from whom the Company leases office space in Quincy, MA (see Note 2). The outstanding balance of the loan at December 31, 1997 and 1996 is \$1,485,843 and \$1,545,853, respectively.

Certain of the Company's internal computer systems are not Year 2000 compliant. The Company has been taking actions to correct or replace those systems and expects to successfully implement the systems and programming changes necessary to address the Year 2000 issues during 1998.

12. MAJOR SUPPLIER

The Company has an agreement with Sprint to provide switching and dedicated voice and data services. This agreement will expire in 1999. At expiration or any time prior, the Company can renew all material aspects of the agreement with Sprint. In the event that renewal does not occur, the Company may be able to negotiate equally beneficial terms with other major telecommunications companies. Should neither of these alternatives be possible, there could be material adverse implications for the Company's financial position and operations. Management's experience has been to renegotiate agreements annually to ensure receiving competitive pricing, and management believes the Company will be able to continue to renegotiate the agreements. The current agreement was renegotiated in March 1998.

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

13. EMPLOYEE BENEFIT PLAN

The Company sponsors a 401(k) and profit sharing plan (the "Plan") which is open to all eligible employees under the Plan's provisions. The terms of the Plan allow the Company to determine its annual profit sharing contribution. There were no Company contributions to the Plan in 1997 or 1996. The Company's contribution to the Plan in 1995 was \$175,000.

EXHIBIT 3

Managerial and Technical Capability

MANAGEMENT

Executive Officers and Directors

The following table provides certain information regarding the executive officers and directors of the Company.

Name	Age	Positions
Robert T. Hale	60	Chairman of the Board of Directors
Robert T. Hale, Jr.	31	Chief Executive Officer, President and Director
James J. Crowley	33	Executive Vice President, Secretary and Director
Steven L. Shapiro	40	Treasurer, Chief Financial Officer and Vice President of Finance
Kevin B. McConnaughey	40	Vice President and General Manager of International Services
Steven Stanfill	44	Vice President of Network Services

Robert T. Hale is a co-founder of the Company and has served as Chairman of the Board of the Company since its inception in 1990. Mr. Hale is a founding member of the Telecommunications Resellers Association and has served as chairman of its Carrier Committee since 1993 and served as Chairman of its Board from May 1995 to May 1997. Mr. Hale was president of Hampshire Imports, the original importer of Laura Ashley Womenswear to the U.S. and a manufacturer of exclusive women's apparel, from 1968 to present.

Robert T. Hale, Jr., is a co-founder of the Company and has served as Chief Executive Officer, President, and Director of the Company since its inception in 1990. He was previously employed by U.S. Telecenters, a sales agent for NYNEX Corporation, from 1989 to 1990, where he was among the Company's most successful sales representatives. Mr. Hale was a sales representative at MCI from 1988 to 1989.

James J. Crowley has served as Executive Vice President of the Company since 1994 and became a Director in 1998. He was previously an attorney at Hale and Dorr LLP, a Boston law firm, from 1992 to 1994.

Steven L. Shapiro has served as Treasurer, Chief Financial Officer, and Vice President of Finance for the Company since July 1997. He served as Vice President and Controller of Grossman's Inc., a public retailer of building materials, from 1993 to 1997, and as its Assistant Controller from 1986 to 1993. Mr. Shapiro served as a certified public accountant with Arthur Andersen & Co. from 1979 to 1986.

Kevin B. McConnaughey has served as Vice President and General Manager of International Services for the Company since March 1997. From 1995 to 1997 he was Associate Vice President of Business Development for Teleglobe International, where he was responsible for work on Teleglobe USA's initial strategic plan, coordinating business development activities with the RBOCs and negotiating and maintaining various international traffic arrangements with international carriers. From 1990 to 1995, Mr. McConnaughey was employed by Sprint International and held a variety of product management, international carrier relations and marketing positions. Prior to joining Sprint International, Mr. McConnaughey was a regional manager for US Sprint's international department and held a number of network planning and engineering positions with GTE Sprint and Southern Pacific Communications.

Steven Stanfill has served as Vice President of Network Services of the Company since 1994. He served as Vice President of Network Operations at Ascom Communications, a telecommunication services provider, from 1989 to 1994. From 1983 to 1989, Mr. Stanfill served in various management capacities at National Applied Computer Technologies, a telecommunications switching equipment manufacturer.

Each director serves until his or her successor is duly elected and qualified. Officers serve at the discretion of the Board of Directors. Robert T. Hale, Jr. is the son of Robert T. Hale and Judith B. Hale, and Judith B. Hale is the spouse of Robert T. Hale. There are no other family relationships among the Company's executive officers and directors. No executive officer of the Company is a party to an employment agreement with the Company.

Board Committees

The Board of Directors has appointed a Compensation Committee, which assists in the establishment of salaries and incentive compensation for certain senior officers and employees and the administration and grant of stock options pursuant to the Company's stock option plan. The Board of Directors has also appointed an Audit Committee, which reviews the results and scope of the audit and other services provided by the Company's independent public accountants.

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ORIGINAL

KATHLEEN L. GREENAN
ATTORNEY-AT-LAW

DIRECT DIAL
(202)945-6922
KLGREENAN@SWIDLAW.COM

July 17, 1998

VIA OVERNIGHT DELIVERY

Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak, Blvd.
Tallahassee, Florida 32399-0870

DEPOSIT DATE
D 8 1 3 **JUL 2 0 1998**

Re: Application of Network Plus, Inc. for Authority to
Provide Alternative Local Exchange Service in Florida

Dear Ms. Bayó:

Enclosed for filing on behalf of Network Plus, Inc. ("Network Plus") please find an original and six (6) copies of Network Plus' above-referenced application. Also enclosed is a check in the amount of \$250.00 to cover the application filing fee.

Please date-stamp the extra copy and return it to the undersigned in the enclosed self-addressed, stamped envelope. Should you have any questions concerning this filing, please do not hesitate to contact me.

Very truly yours,



SWIDLER & BERLIN
CHARTERED
3000 K STREET, N.W., SUITE 300
WASHINGTON, D.C. 20007

FIRST UNION NATIONAL BANK
WASHINGTON, D.C.

18-122540

0066744

NO. 066744

EXACTLY***250*DOLLARS AND*00*CENTS

DATE

AMOUNT

06/30/98

\$\$\$\$\$250.00

GENERAL ACCOUNT
TWO SIGNATURES REQUIRED ABOVE \$10,000



PAY TO THE ORDER OF FLORIDA PUBLIC SERVICE COMMISS

OF