

July 16, 1998

Thomas E. Williams III
Bureau of Service Evaluation
State of Florida - Public Services Commission
Capital Circle Office Center
2540 Shumard Oak Blvd.
Tallahassee, FL. 32399-0850

Dear Mr. Williams,

Enclosed you will find the following:

- * Application Form
- * Florida Telecommunications Tariff
- * Financial Statement

If you have any questions, please give me a call.

Vickie Kownatzki

ADMINISTRATION
MAIL ROOM

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VED DOCUMENT NUMBER-DATE

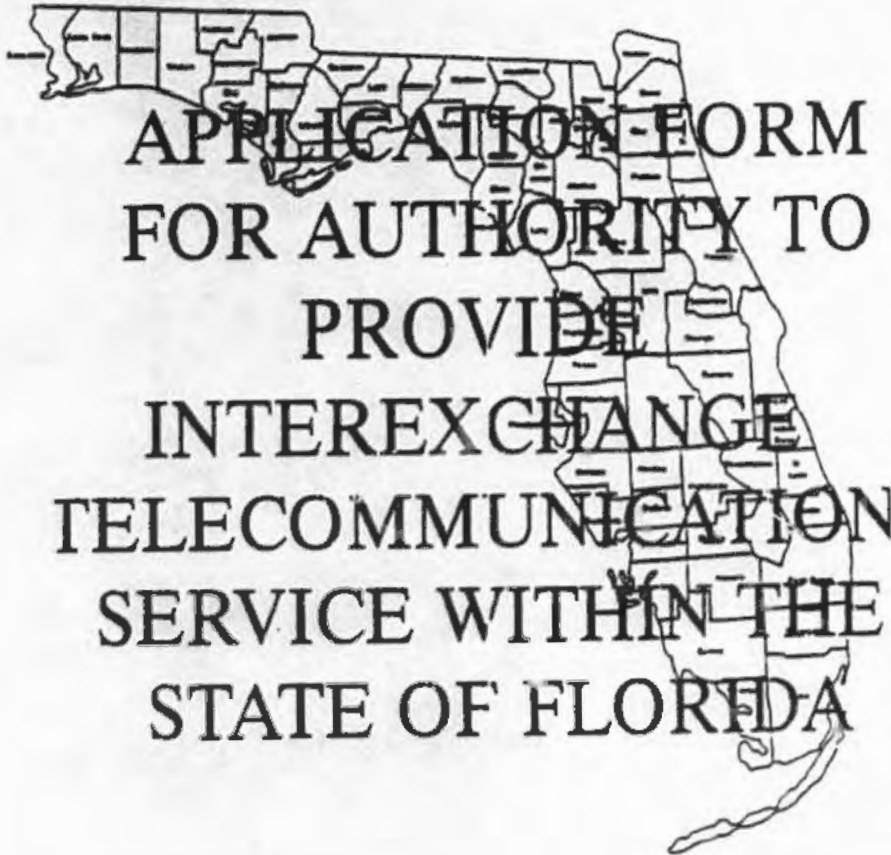
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FPSC-RECORDS/REPORTING

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

DIVISION OF COMMUNICATIONS
BUREAU OF SERVICE EVALUATION

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
2540 Shumard Oak Blvd., Gerald Gunter Building
Tallahassee, Florida 32399-0850
(850) 413-6600

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

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd., Gerald Gunter Building
Tallahassee, Florida 32399-0850
(850) 413-6251

1. Select what type of business your company will be conducting (check all that apply):

() **Facilities based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

() **Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

() **Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.

() **Switchless Rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.

() **Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers. Then offers the resold service by enrolling unaffiliated customers.

() **Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

None of the above. We are a Local Exchange Carrier Billing Clearinghouse.

2. 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 an uncertificated company).

Approval for transfer of control (To another certificated company).

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

Hold Billing Services, Ltd.

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

HPS Billing Services

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

4242 Medical Drive
Suite 2100
San Antonio, Tx. 78229

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

None

7. Structure of organization; check which applies.

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

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

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

N/A

(b) Indicate if the individual or any of the partners 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. 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. NO

HOLD BILLING SERVICES, LTD.

PARTNERS

Avery Communications, Inc.
801 Greenview
Grand Praire, Tx. 75050

(99% owner - Limited Partner)

HBS, Inc.
801 Greenview
Grand Praire, Tx. 75050

(1% owner - General Partner)

9. If incorporated, please give: N/A

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

Corporate charter number: _____

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

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

Fictitious name registration number: _____

- (d) 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.

(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.

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

(a) The application; Rick Box
Vice President of General Partner
4242 Medical Drive, Suite 2100
San Antonio, Tx. 78229
(210) 593-0222

(b) Official Point of Contact for the ongoing operations of the company; Same

(c) Tariff; Same

(d) Complaints/Inquiries from customers;
Katherine Muensler
Assistant Manager of Customer Service
4242 Medical Drive, Suite 2100
San Antonio, Tx. 78229
(210) 593-0222

11. List the states in which the applicant:

(a) Has operated as an interexchange carrier.

None

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

None

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

None

- (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.

None

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

Schedule Attached

12. What services will the applicant offer to other certificated telephone companies: Check which applies.

- | | |
|---|-------------------------------------|
| <input type="checkbox"/> Facilities. | <input type="checkbox"/> Operators. |
| <input checked="" type="checkbox"/> Billing and Collection. | <input type="checkbox"/> Sales. |
| <input type="checkbox"/> Maintenance. | |
| <input type="checkbox"/> Other: _____ | |

13. Do you have a marketing program?

Yes

14. Will your marketing program:

- | |
|--|
| <input checked="" type="checkbox"/> Pay commissions? |
| <input type="checkbox"/> Offer sales franchises? |
| <input type="checkbox"/> Offer multi-level sales incentives? |
| <input type="checkbox"/> Offer other sales incentives? |

HOLD BILLING SERVICES LTD.

LITIGATION

➤ **Telemanagement Resources, Inc. vs. Hold Billing Services, Ltd.**

Cause: HBS terminated billing contract because of Telemanagement's Marketing practices. Suit pending.

➤ **Tel-Save, Inc. vs. Hold Billing Services, Ltd.**

Cause: Tel-Save claims ownership of funds that HBS had been paying another of its customer's with which Tel-Save has a dispute. Suit is pending. Funds have been interpleaded into the registry of a District Court for their determination of the rightful owner.

15. Explain any of the offers checked in question 14 (To whom, what amount, type of franchise, etc.).

HBS has one commissioned employee who receives a commission on reseller and IXC customers he was responsible for selling.

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.
(X) Other: (specify) resellers and IXC's.

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?

HBS' name is on the Local Exchange Carrier's bill sent to end-users of our Customers. HBS' Customer Service Number is 1-800-879-4653.

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

HBS bills its reseller and IXC Customers for its services.

18. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide interexchange telecommunications service in Florida.

A. Financial capability. Audited Financial Statement.

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 affirm that the financial statements are true and correct. *see Audited Financial Statements and Internal Projections 1998-2000.*

B. Managerial capability. Resumes Attached

C. Technical capability. Resumes Attached

HOLD BILLING SERVICES PROJECTIONS

05/04/00
Ver 19K986a3

1998 - 2000

		12 Mos 12/31/98	12 Mos 12/31/99	12 Mos 12/31/00
Revenues:				
Billing Fees	Sch edule Below	\$7,560,500	\$15,121,000	\$30,242,000
LEC Fees	2.7 x Revenues	20,413,350	40,826,700	81,653,400
Volume Discounts	11.00% x Revenues	(831,655)	(1,663,310)	(3,326,620)
Other Income		120,000	240,000	480,000
Total Revenues		<u>27,262,195</u>	<u>54,524,390</u>	<u>109,048,780</u>
Cost of LEC Revenues		<u>(20,413,350)</u>	<u>(40,826,700)</u>	<u>(81,653,400)</u>
Gross Profit		6,848,845	13,697,690	27,395,380
Expenses:				
Advertising, Promo & Printing	1.5% x Revenues	100,933	151,399	227,099
Advertising - Trade Shows	0.5% x Revenues	33,044	50,466	75,700
Advertising - Customer promos	5.0% x Revenues	336,442	504,663	756,995
Amortization - Contracts	36 months	98,414	0	0
Commissions	1.0% x Revenues	67,288	134,577	269,154
D P - Programming	3,000 a month	36,000	36,000	36,000
Depreciation	120 months	54,399	81,598	122,398
Insurance	\$1,000 a month	12,000	18,000	27,000
Legal, Professional & Audit	1.0% x Revenues	67,288	134,577	269,154
Miscellaneous/Contingency	5.0% x Revenues	336,442	672,885	1,345,769
Office Supply & Postage	3.0% x Revenues	201,865	403,731	807,461
Rent & Utilities	75% of monthly \$9,038 rent	81,347	101,684	127,104
Salaries & Benefits		1,200,000	1,500,000	1,875,000
Taxes & Licenses	0.50% x Revenues	33,644	42,055	52,569
Travel & Entertainment	1.00% x Revenues	67,288	100,933	151,399
Telephone	2.00% x Revenues	134,577	168,221	210,276
TOTAL EXPENSES		<u>2,861,573</u>	<u>4,100,789</u>	<u>6,353,078</u>
OPERATING PROFIT (LOSS)		3,987,272	9,596,901	21,042,302
Factoring Fees				
Factoring Fees (Primo +G)	14.00% x All - Factored	2,748,714	4,123,071	6,184,607
Finova Expense (12%)	12.00% x All - FRIOVA	(1,021,109)	(1,531,664)	(2,297,495)
Finova Amortization	36 months	(41,656)	(41,656)	(41,656)
Other	1.00% x Factoring Fees	(27,487)	(41,231)	(61,846)
Net Factoring		<u>1,658,462</u>	<u>2,508,521</u>	<u>3,783,609</u>
CONTROLABLE PROFIT (BILLING DEPARTMENT)		5,645,734	12,105,422	24,825,911
Customer Service Department:				
Revenues	30.00% x Billing Revenues	2,018,654	3,027,980	4,541,970
Compensation		(523,285)	(627,942)	(753,530)
Network	25.00% x CS Revenues	(504,663)	(756,995)	(1,135,493)
Depreciation		(18,542)	(23,177)	(28,071)
Amortization		(17,004)	(17,004)	(17,004)
Rent	25% of monthly \$9,038 rent	(27,116)	(33,895)	(42,368)
Other	2.00% x CS Revenues	(40,373)	(60,560)	(90,839)
CONTROLABLE PROFIT (CUST SVC DEPARTMENT)		<u>887,671</u>	<u>1,508,400</u>	<u>2,473,764</u>
TOTAL CONTROLABLE PROFIT		6,533,405	13,613,830	27,299,676
Non-Controllable:				
Avery Management Fees	\$15,000 a month	180,000	180,000	180,000
Goodwill Amortization	\$17,233 a month	206,796	206,790	200,790
PRETAX PROFIT (LOSS)		<u>\$6,146,809</u>	<u>\$13,227,034</u>	<u>\$26,912,000</u>

HOLD BILLING SERVICES
PROJECTIONS
1998 - 2000

05/04/98
Ver FINOVA

12/31/00

1998 Balance Sheet

ASSETS

Cash	19,013
Accounts Receivable - LEC & Invoices	47,800,016
Accounts Receivable - Factor Advances	24,600,632
Accounts Receivable - Avery	1,130,084
Deposits	125,027
Furniture & Equipment (Billing)	658,573
Furniture & Equipment (Cust Svc)	300,000
Accumulated Depreciation (Billing)	(118,964)
Accumulated Depreciation (Cust Svc)	(27,659)
Contracts & Software (Billing)	261,253
Contract (Cust Svc)	85,000
Accumulated Amortization	(244,055)
FINOVA Commitment Fee	184,700
Accumulated Amortization	(90,321)
Goodwill	3,101,817
Accumulated Amortization	(430,825)
TOTAL ASSETS	<u>77,363,392</u>

**LIABILITIES
AND CAPITAL**

Commitments to Customers	43,947,346
Accounts Payable	5,707,582
Accruals & Taxes	1,932,325
Customer Reserves	7,140,505
Notes Payable - FINOVA	8,630,146
Notes Payable - Other	0
TOTAL LIABILITIES	<u>67,366,904</u>
Partners Capital	3,049,879
Current Earnings (Loss)	6,146,600
Capital Withdrawals	0
TOTAL CAPITAL	<u>9,996,479</u>
TOTAL LIABILITIES & CAPITAL	<u>77,363,382</u>

Management

Harold D. ("Rick") Box is Vice President of Operations and Marketing of HOLD Billing Services, Ltd. Mr. Box has been involved in the telecommunications industry since 1983 in areas such as paging, long distance and LEC clearinghouse services. He served as Director of Client relations of HBS' major competitor, Zero Plus Dialing (a subsidiary of U.S. Long Distance) from 1988 to 1993. He was a Vice President of Operations of Home Owners Long Distance from 1993 and 1994 prior to the formation of HOLD Billing Services, Ltd. in August, 1994. Mr. Box holds a Bachelor Degree in Business Administration from North Texas State University.

David W. Mechler, Jr. is Vice President of Finance of HOLD Billing Services, Ltd. Mr. Mechler has been involved in various facets of the telecommunications industry since 1978 generally as a principal in startup businesses. His experience includes companies in long distance, fiber optic network, cellular licenses, data processing and factoring for communications companies, and in LEC clearinghouse operations. He was the Director of Finance of Home Owners Long Distance, Inc. prior to the formation of HOLD Billing Services, Ltd. in August, 1994. Mr. Mechler holds Bachelors and Masters degrees in accounting and is a Certified Public Accountant.

19. 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).

Tariff enclosed

20. The applicant will provide the following interexchange carrier services (Check all that apply): None

___ 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

- 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

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

N/A

22. Other:

**** 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 two and one-half percent on all intra and interstate business.
3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.
4. **APPLICATION FEE:** A non-refundable application fee of \$250.00 must be submitted with the application.
5. **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 service.
6. **ACCURACY OF APPLICATION:** By my signature below, I the undersigned owner or officer of the named utility in the application, attest to the accuracy of the information contained in this application and associated attachments. I have read the foregoing and declare that to the best of my knowledge and belief, the information is a true and correct statement. Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083".

UTILITY OFFICIAL:

<u>Rick Box (Rick Box)</u>	<u>6/2/98</u>
Signature	Date
<u>V. P.</u>	<u>210-593-0222</u>
Title	Telephone No.

**** APPENDIX A ****

CERTIFICATE TRANSFER STATEMENT

I, (TYPE NAME) _____,
(TITLE) _____,
of (NAME OF COMPANY) _____
_____, and current holder of certificate number _____,
have reviewed this application and join in the petitioner's request for a transfer
of the above-mentioned certificate.

UTILITY OFFICIAL:

_____ Signature	_____ Date

_____ Title	_____ Telephone No.

**** 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):



- () 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.)

UTILITY OFFICIAL:

_____	_____
Signature	Date

_____	_____
Title	Telephone No.

**** APPENDIX C ****

INTRASTATE NETWORK

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

1) 2)

3) 4)

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

1) 2)

3) 4)

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

POP-to-POP

TYPE

OWNERSHIP

1)

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).
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).
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?

UTILITY OFFICIAL:

_____	_____
Signature	Date

_____	_____
Title	Telephone No.

**** APPENDIX D ****

FLORIDA TELEPHONE EXCHANGES

AND

EAS ROUTES

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.

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).

**** FLORIDA EAS FOR MAJOR EXCHANGES ****

Extended Service Area _____ with _____ These Exchanges

PENSACOLA:	Cantonment, Gulf Breeze Pace, Milton Holley-Navarre.
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, Maxville, 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 Zephyrhills
 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.

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

TITLE SHEET

FLORIDA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions and regulations relating to billing and collection services provided by Hold Billing Services, Ltd., to certain telecommunications companies providing intrastate telecommunications service within the state of Florida. This tariff identifies the telecommunications companies for whom billing and collection services are being provided and refers to their tariffs for the descriptions, regulations and rates applicable to their services. 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 at 4242 Medical Drive, Suite 2100, San Antonio, Texas 78229.

Issued: July 16, 1998

Effective: _____

By:

Rick Box, Vice President
HBS Billing Services, Ltd.
4242 Medical Drive, Suite 2100
San Antonio, Tx. 78229

CHECK SHEET

Sheets 1 to 13, inclusive, of this tariff are effective as of the date shown. Revised sheets, and named below, contain all changes from the original tariff that are in effect on the date indicated.

<u>SHEET</u>	<u>REVISION NUMBER</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

* Indicates new or revised pages with this filing.

Issued: July 16, 1998

Effective: _____

By:

Rick Box, Vice President
HBS Billing Services, Ltd.
4242 Medical Drive, Suite 2100
San Antonio, Tx. 78229

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Issued: July 16, 1998

Effective: _____

By:

**Rick Box, Vice President
HBS Billing Services, Ltd.
4242 Medical Drive, Suite 2100
San Antonio, Tx. 78229**

SYMBOLS USED TO DENOTE CHANGES

When changes to this tariff are filed, the following symbols denote the following changes:

D - Delete or discontinue

I - Change resulting in an increase to a customer's bill

M - Moved from another tariff location

N - New

R - Change resulting in a reduction to a customer's bill

T - Change in text or regulation but no change to rate or charge

Issued: July 16, 1998

Effective: _____

By:

Rick Box, Vice President
HBS Billing Services, Ltd.
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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. When a new sheet is added between sheets already in effect a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.
- B. **Sheet Revision Numbers** - Revision numbers also appear in the upper right corner of each sheet. These numbers are used to determine the most current sheet version on file with the FPSC. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the FPSC follows in their tariff approval process, the most current sheet number on file with the Commission is not always the tariff sheet in effect. Consult the Check Sheet for the sheet currently in effect.
- C. **Paragraph Numbering Sequence** - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2.
2.1
2.1.1.
2.1.1.1.
2.1.1.1.1
2.1.1.1.1.1
2.1.1.1.1.1.1

- D. **Check Sheets** - When a tariff filing is made with the FPSC, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new 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 same sheets). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the FPSC.

Issued: July 16, 1998

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SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

As used in this tariff, the following terms shall have the following meanings:

Billing Agent - The person who, under an agreement with a telecommunications company providing intrastate telecommunications service in Florida pursuant to a certificate issued by the Florida Public Service Commission, provides the telecommunication company's billing data to local exchange companies for collection and remits the receipts to the telecommunication company. Hold Billing Services, Ltd. will be referred to hereinafter as "Billing Agent."

Telecommunications Company - The certificated provider of intrastate telecommunications services for whom Hold Billing Services, Ltd. is acting as billing agent. This term includes Interexchange Telecommunications Companies who provide intrastate telecommunications service in Florida pursuant to certificates issued by the Florida Public Service Commission.

Customer - The person, firm, corporation or other entity which orders services from a telecommunications company and is responsible for the payment of charges and for compliance with the telecommunications company's tariff regulations.

Telecommunications facility - Includes real estate, easements, apparatus, property, and routes used and operated to provide two-way telecommunications service to the public for hire within the state of Florida.

Issued: July 16, 1998

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SECTION 2 - RULES AND REGULATIONS

- 2.1 **Responsibility for Changes** - The customer is responsible for all calls placed using any authorization code assigned to the customer.
- 2.2 **Deposits** - The Company does not require a deposit from the customer.
- 2.3 **Liability of Billing Agent**
- 2.3.1 No liability shall attach to Billing Agent for any damages of any nature arising from errors, calls incidentally billed on behalf of a telecommunications company that did not go over its network, mistakes, omissions, interruptions, or delays of Billing Agent, its agents, servants, or employees, in the course of acting as billing agent for the telecommunications company.
- 2.3.2 No liability shall attach to Billing Agent for any damages of any nature arising from errors, mistakes, omissions, interruptions, or delays of the telecommunications company, its agents, servants, or employees, in the course of establishing, furnishing, rearranging, moving, terminating, or changing the service or facilities (including the obtaining or furnishing or information in respect thereof or with respect to the customers or users of the service or facilities) in the absence of gross negligence or willful misconduct.

Issued: July 16, 1998

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SECTION 2 - RULES AND REGULATIONS (Cont.)

- 2.3.3 When the facilities of other telecommunications companies are used separately or in conjunction with the telecommunications company's facilities in establishing connection to points not reached by the telecommunications company's facilities, Billing Agent is not liable for any act or omission of any telecommunications companies or their agents, servants or employees.
- 2.3.4 In addition to the limitation set forth above, Billing Agent shall, in no event, be liable for interruption or delays in transmission, or errors or defects in transmission, or failure to transmit.
- 2.3.5 Billing Agent shall have no liability for interruptions, delays, errors, or defects in transmission, or for any injury whatever, caused by the customer, the customer's agents or authorized users, or by subscriber-provided equipment.
- 2.3.6 Billing Agent shall not be liable for any damages whatsoever including, but not limited to, special, consequential, incidental or punitive damages, lost profits, revenues, or savings.

2.4 Liability of the Customer

2.4.1 Billing Agent shall be indemnified and held harmless by the customer against:

- 2.4.1.1. Claims for libel, slander, infringement of copyright or unauthorized use of any trademark, trade name or service mark arising out of the material, data information, or other content transmitted over the telecommunications company's facilities; and

Issued: July 16, 1998

Effective: _____

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SECTION 2 - RULES AND REGULATIONS (Cont.)

- 2.4.1.2 Claims for patent infringement arising from combining or connecting the telecommunications company's facilities with apparatus and systems of the customer; and
- 2.4.1.3 All other claims arising out of any act or omission of the customer in connection with any service or facilities provided by the telecommunications company.
- 2.4.2 The customer shall hold Billing Agent harmless from and against all claims, demands, losses or liabilities, including, but not limited to, fees and expenses of counsel, arising out of any damage to business or property, or injury to, or death of any person, occasioned by, or in connection with, any act or omission of the customers, its agents, authorized users, or customers.

Issued: July 16, 1998

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SECTION 3 - DESCRIPTION OF SERVICE OFFERED

3.1 **Description of Service** - Hold Billing Services, Ltd., acts as a billing agent for telecommunications companies providing intrastate telecommunications service in Florida. Billing Agent provides no telecommunication service within the state of Florida and does not offer two-way telecommunication service for hire within the state of Florida by use of a telecommunications facility. Billing Agent does not provide billing, completion of third party, person-to-person, collect, calling card or credit card calls through the use of a live operator or automated equipment and does not provide any form of operator service through a call aggregator or otherwise. Billing Agent does not provide billing service for Operator Service Provider or Pay Telephone Service Providers.

3.1.1 The services provided by each of the telecommunications companies which are Interexchange Telecommunications Companies for whom Billing Agent acts as billing agent are described in that telecommunications company's approved tariff on file with Florida Public Service Commission

3.2 **Call Completion Rate** - The end-to-end call completion rate of each of the telecommunications companies which are Interexchange Telecommunications Companies for whom Billing Agent acts as billing agent is described in that telecommunications company's approved tariff on file with the Florida Public Service Commission.

3.3 **Measurement and Timing of Calls** - The method used by each of the telecommunications companies which are Interexchange Telecommunications Companies for whom Billing Agent acts as billing agent to determine when calls are initiated and terminated is described in that telecommunications company's approved tariff on file with the Florida Public Service Commission.

Issued: July 16, 1998

Effective: _____

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SECTION 3 - DESCRIPTION OF SERVICE OFFERED

- 3.4 **Calculating Mileage** - The method used by each of the telecommunications companies which are Interexchange Telecommunications Companies for whom Billing Agent acts as billing agent to calculate the mileage used to rate a call is described in that telecommunications company's approved tariff on file with the Florida Public Service Commission.

Issued: July 16, 1998

Effective: _____

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SECTION 4 - RATES AND CHARGES

- 4.1 **Rates for Service** - Billing Agent provides billing services for intrastate calls billed by the following certificated telecommunications companies:

Interexchange telecommunications companies

<u>Certificate. or Order No.</u>	<u>Telecommunications Company Name</u>
24018	Ameri-Tel Communications of Texas, Inc.
PSC-93-1078	Home Owners Long Distance, Inc.
24834	Corporate Telemangement Group, Inc.
PSC-92-0722-FOF-TI	American Teletronics Long Distance, Inc.
3493	Gulf Long Distance, Inc.
4042	Least Cost Routing, Inc.
PSC-96-0648-FOF-TI	Corporate Services Telecom, Inc.
PSC-94-1547-FOF-TI	Value Tel, Inc.
PSC-93-0959-FOF-TI	Wats International
PSC-96-0311-FOF-TI	Preferred Carrier Services
PSC-97-0080-FOF-TI	A.A.T.
PSC-97-0080-FOF-TI	Hebron Communications
PSC-96-0522-FOF-TI	Xtracom, Inc.
23785	Q.C.C.
PSC-96-0523-TI	Atlas Communication
PSC-97-0024-FOF-TI	STA Telecommunication
PSC-96-1122-FOF-TI	Pioneer Telecom, Inc
PSC-93-1438-FOF-TI	TSCI
PSC-96-0610-FOF-TI	Integrated TeleServices

Issued: July 16, 1998

Effective: _____

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SECTION 4 - RATES AND CHARGES (Cont.)

<u>Certificate or Order No.</u>	<u>Telecommunications Company Name</u>
PSC-96-0522-FOF-TI	Xtracom
PSC-97-0575-FOF-TI	Lightcom International
PSC-95-0621-FOF-TI	Pantel Communications
PSC-94-0742-FOF-TI	Colorado River Communications Corp.
PSC-96-1380-FOF-TI	Consumer Access
PSC-96-0914-FOF-TI	D.D.D. Calling, Inc.
PSC-97-1573-FOF-TI	PT-1 Communications, Inc.
PSC-97-1418-FOF-TI	Pride America, Inc.
PSC-93-0551	SCI
PSC-92-0621-FOF-TI	Tel-Save, Inc.

- .4.2 The rates for services provided by each of the Interexchange Telecommunications Companies Service Providers for whom Billing Agent provides billing are described in that telecommunications company's approved tariff on file with the Florida Public Service Commission.
- .4.3 Billing Agent has no rates for its own service because it provides no telecommunications service for hire within the state of Florida by use of a telecommunications facility, does not provide operator services and does not own, operate, or manage any telecommunications facility within the state of Florida.

Issued: July 16, 1998

Effective: _____

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FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

HOLD BILLING SERVICES, LTD.

DECEMBER 31, 1997 AND 1996



King Griffin & Adamson P.C.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Partners of
HOLD Billing Services, Ltd.

We have audited the accompanying balance sheets of HOLD Billing Services, Ltd. as of December 31, 1997 and 1996 and the related statements of operations, partners' capital, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits 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 HOLD Billing Services, Ltd. as of December 31, 1997 and 1996 and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

King Griffin & Adamson P.C.

KING GRIFFIN & ADAMSON P.C.

Dallas, Texas
February 6, 1998



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Institute of Certified
Public Accountants
Private Companies &
S.C. Practice Section

HOLD BILLING SERVICES, LTD.

Balance Sheets

December 31, 1997 and 1996

ASSETS

	1997	1996
Current assets		
Cash	\$ 958,951	\$ 1,261,825
Advance payment receivables	13,545,346	3,755,262
Trade accounts receivable	790,061	1,227,047
Due from affiliates	-	224,796
Other receivable	<u>214,515</u>	<u>2,935</u>
Total current assets	<u>15,508,873</u>	<u>6,471,865</u>
Property and Equipment		
Computer equipment and software	388,301	128,984
Furniture and fixtures	125,068	46,090
Accumulated depreciation and amortization	<u>(77,766)</u>	<u>(17,548)</u>
	435,603	157,526
Other assets		
Goodwill, net	3,216,455	3,067,451
Purchased contracts, net	104,838	193,400
Deferred costs, net	129,812	-
Other	<u>581,873</u>	<u>118,766</u>
Total other assets	<u>4,032,978</u>	<u>3,379,617</u>
Total Assets	<u>\$ 19,977,454</u>	<u>\$ 10,009,008</u>

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities		
Line of credit	\$ 5,013,859	\$ 566,000
Current portion of notes payable (including \$299,250 and \$350,000 to related parties in 1997 and 1996)	299,250	1,126,226
Trade accounts payable	5,781,251	1,309,589
Accrued liabilities	926,190	206,987
Parent note payable	-	380,000
Deposits and other payables	<u>5,477,647</u>	<u>3,476,125</u>
Total current liabilities	<u>17,498,197</u>	<u>7,064,927</u>
Commitments and Contingencies (Notes C, D, G, and H)		
Partners' capital	<u>2,479,257</u>	<u>2,944,081</u>
Total Liabilities and Partners' Capital	<u>\$ 19,977,454</u>	<u>\$ 10,009,008</u>

HOLD BILLING SERVICES, LTD.
Statements of Operations
Years ended December 31, 1997 and 1996

	1997	1996
Operating revenues	\$ 11,643,263	\$ 2,431,144
Cost of revenues	<u>(8,592,217)</u>	<u>(1,620,175)</u>
Gross profit	3,051,046	810,969
Selling, general and administrative expenses	(1,981,743)	(892,053)
Advance funding program income	832,248	90,042
Advance funding program expense	(566,859)	(65,726)
Depreciation and amortization expense	<u>(478,464)</u>	<u>(116,206)</u>
Income (loss) from operations	<u>856,228</u>	<u>(172,974)</u>
Other income (expense)		
Interest expense	(69,814)	(52,657)
Interest income	<u>9,046</u>	<u>-</u>
Total other income (expense)	<u>(60,768)</u>	<u>(52,657)</u>
Net income (loss)	\$ <u>795,460</u>	\$ <u>(225,631)</u>

HOLD BILLING SERVICES, LTD.
Statement of Partners' Capital
Years ended December 31, 1997 and 1996

	<u>Capital</u>			<u>Total</u>
	<u>Prior General Partner</u>	<u>Prior Limited Partners</u>	<u>Avery Communications Inc. and HBS, Inc.</u>	
Balance at December 31, 1995	\$ 2,236	\$ 221,378	\$ -	\$ 223,614
Distributions	(1,558)	(154,267)	-	(155,825)
Sale and acquisition of the general and limited partners' interest	317	31,424	3,070,182	3,101,923
Net loss	<u>(995)</u>	<u>(98,535)</u>	<u>(126,101)</u>	<u>(225,631)</u>
Balance at December 31, 1996	-	-	2,944,081	2,944,081
Earn-out of Avery stock by former partners	-	-	270,800	270,800
Net Income	<u>-</u>	<u>-</u>	<u>795,460</u>	<u>795,460</u>
Balance at December 31, 1997	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,010,341</u>	\$ <u>4,010,341</u>

HOLD BILLING SERVICES, LTD
Statements of Cash Flows
Years ended December 31, 1997 and 1996

	1997	1996
Cash flows from operating activities:		
Net income (loss)	\$ 795,460	\$ (225,631)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation	60,218	17,547
Amortization	418,246	98,659
Change in assets and liabilities		
Trade accounts receivable	436,986	(904,271)
Advance payment receivables	(9,790,084)	(2,929,197)
Due from affiliate and other receivable	13,216	(65,979)
Other assets	(647,807)	16,455
Trade accounts payable	4,471,662	846,667
Accrued liabilities	719,203	87,566
Deposits and other payables	<u>2,001,522</u>	<u>3,172,863</u>
Net cash provided (used) by operating activities	<u>(1,521,378)</u>	<u>114,679</u>
Cash flows from investing activities:		
Purchases of property, equipment and software	(323,295)	(174,021)
Purchase of contracts	<u>(68,000)</u>	<u>-</u>
Net cash used in investing activities	<u>(391,295)</u>	<u>(174,021)</u>
Cash flows from financing activities:		
Net proceeds from line of credit	4,447,859	26,000
Proceeds from notes payable	-	1,863,675
Principal payments on notes payable	(926,976)	(892,698)
Proceeds from parent note payable	-	380,000
Repayment of parent note payable	(380,000)	-
Distributions to partners	<u>(1,531,084)</u>	<u>(155,825)</u>
Net cash provided by financing activities	<u>1,609,799</u>	<u>1,221,152</u>
Increase (decrease) in cash	(302,874)	1,161,810
Cash at beginning of year	<u>1,761,825</u>	<u>100,015</u>
Cash at end of year	\$ <u>958,951</u>	\$ <u>1,261,825</u>

HOLD BILLING SERVICES, LTD.
Statements of Cash Flows - Continued
Years ended December 31, 1997 and 1996

Supplemental disclosures:

Interest paid

\$ 400,539 \$ 52,657

Schedule of non-cash financing and investing activities:

Issue and purchase of partnership interests

\$ - \$ 3,070,182

Earn-out of Avery's shares by former partners

\$ 270,800 \$ -

Note payable issued in connection with acquisition of
customer service department

\$ 100,000 \$ -

HOLD BILLING SERVICES, LTD.

Notes to Financial Statements

December 31, 1997 and 1996

NOTE A - GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Business Activity

HOLD Billing Services, Ltd. ("Billing" or the "Partnership") is a Texas Limited Partnership. The Partnership is a wholly owned subsidiary of Avery Communications Inc. ("Avery"). Avery owns 99% of Billing directly and the additional 1% through its wholly owned subsidiary HBS, Inc.

Billing was organized on August 1, 1994 for the purpose of providing billing and collection clearinghouse services to its telecommunications customers. Billing and collection services are performed by Local Exchange Carriers ("LEC's") which Billing administers pursuant to long-term contracts. On August 1, 1994, Billing purchased four contracts from an affiliated company Home Owners Long Distance, Inc. ("HOLD") for \$112,500. The purchase price approximated the fair market value of the contracts at time of purchase. Concurrently with the purchase, Billing and HOLD executed a three year billing services agreement whereby Billing became the primary billing contractor for HOLD.

Effective November, 1996 Avery acquired the partnership interests of the general (HOLD Billing and Collections, L.C., "Hold B&C") and limited partners of Billing. Billing has applied push down accounting in recording the sale of the partnership interest. Accordingly, these financial statements include the effect of recording the purchase price paid, and the resulting increase in goodwill and equity (see Note B). Additionally, these financial statements include the effect of the subsequent earn-out of shares of Avery by the former partners which also resulted in an increase to goodwill and equity.

Effective February, 1997, Billing acquired the customer service department of HOLD for the purpose of providing customer service support to its telecommunications customers.

Billing currently operates under billing contracts with all seven of the regional bell operating companies, GTE and Sprint operating telephone companies. The contracts give Billing the capability of billing in 49 states and the District of Columbia.

Billing is reimbursed by its customers for all direct costs associated with the billing of transactions. Billing also retains a reserve from its customers' settlement proceeds, calculated to cover accounts that the LEC's are unable to collect. Billing charges a billing fee for each record processed, an inquiry fee for each end user inquiry and a finance fee to customers who participate in the Company's Advance Payment Program.

Revenue Recognition

The Partnership recognizes billing services revenue when its customers' records are accepted for billing and collection. Bills are generated by the LEC's and the collected funds are remitted to the Partnership, which in turn remits these funds, net of fees and reserves, to its billing customers. The Partnership records trade accounts receivable and service revenue for fees charged for its billing services. When the customers' receivables are collected by the Partnership from the LEC's, the Partnership's trade receivables are reduced by the amount corresponding to the Partnership's processing fees and the remaining funds are recorded as amounts due to customers, included in Deposits and Other Payables in the accompanying balance sheets.

HOLD BILLING SERVICES, LTD.

Notes to Financial Statements
December 31, 1997 and 1996

NOTE A - GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - Continued

LEC Receivables and Customer Payables

Billing acts as a billing agent for its customers receivables and does not acquire these receivables. Therefore such receivables are not reflected on the Partnership's balance sheet. For the same reason, offsetting unsettled payables to its customers are not reflected on the Partnership's balance sheet.

Advance Payment Receivables

Under its Advance Payment Program, Billing offers to purchase qualifying customers' receivables to accelerate their collection time which would otherwise range from 45 to 60 days. Receivables are purchased as follows:

An advance is made to the customer shortly after records are submitted to a LEC. Typically the advance is 50 - 75% of the value of the records purchased and is made within seven days of when Billing submits the records to a LEC. Upon purchase, the gross value (face amount) of the receivable is recorded on the balance sheet as a "advance payment receivable" and the portion not advanced is recorded as a component of deposits and other payables.

When a LEC remits funds to Billing to settle the advance payment receivable, Billing remits the balance due to the customer net of direct billing costs.

Property, Equipment and Software

Property, equipment and purchased software are stated at cost. Depreciation is provided for on a straight line basis over the assets estimated five to seven year useful life. Internally developed software is expensed as incurred. Maintenance and repairs are charged to expense as incurred. Betterments and renewals are capitalized. Depreciation expense for the years ended December 31, 1997 and 1996 was \$60,218 and \$17,547, respectively.

Goodwill

Goodwill resulted from the difference between the purchase price paid and liabilities assumed by Avery over the estimated fair market value of assets of Billing. Goodwill in connection with the sale amounted to \$3,101,923, and is being amortized using the straight-line method over 15 years. Additional goodwill resulted from the difference between the purchase price paid by the Partnership over the estimated fair market value of assets acquired in connection with the purchase of HOLD's customer service department and the earn-out of shares from escrow as provided in the purchase agreement between Avery and the Partnership. Goodwill from the purchase of the Customer service department amounted to \$85,000, and is being amortized over 5 years. Goodwill from the earn-out agreement amounted to \$270,800 and is also being amortized over 5 years. Total amortization expense for 1997 and 1996 amounted to \$206,796 and \$34,466, respectively. On an on-going basis, management reviews recoverability, the valuation and amortization of goodwill. As a part of this review, the Company considers the undiscounted projected future net earnings in evaluating the goodwill. If the undiscounted future net earnings is less than the stated value, goodwill would be written down to fair value.

Purchased Contracts

The direct costs of acquiring billing and collection contracts with LEC's are capitalized and amortized straight-line over the contract life, generally three to five years.

HOLD BILLING SERVICES, LTD.

Notes to Financial Statements

December 31, 1997 and 1996

NOTE A - GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - Continued

Income Taxes

Billing qualifies as a limited partnership and as such, Federal income taxes accrue to the partners rather than to the Partnership. In addition, the Partnership is not subject to state income or franchise taxes. Accordingly, no provision or liability for income taxes is included in the financial statements.

Deposits and Other Payables

Deposits and other payables represent deposits billed to customers, for uncollectible end user accounts and LEC billing fees which have not yet been remitted to the LEC or settled with customers.

Statement of Cash Flows

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of 3 months or less when purchased.

Advertising Costs

Advertising costs are expensed as incurred and consist principally of newspaper, customer publication, customer referral and trade show costs. Advertising expense in 1997 and 1996 was approximately \$262,000 and \$73,000, respectively.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were used.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

NOTE B - SALE OF PARTNERSHIP INTEREST

Avery acquired the general partner and 100% of the limited partnership interests of Hold Billing Services, Ltd. effective in November, 1996, for a note payable of \$1,175,926, cash of \$1,296,302, the issuance of 362,963 common shares valued at \$1.28 per share (\$462,963), and cash paid for acquisition costs of \$134,991, resulting in a total purchase price of \$3,070,182.

In connection with the acquisition, Avery also has 470,000 common shares which are being held in escrow. 100,000 shares were issued on May 15, 1997 after all representations and warranties made by the sellers at acquisition date were met. The balance of 370,000 shares, will be issued in three equal amounts in 1998, 1999 and 2000 subject to the Partnership achieving future earnings projections.

HOLD BILLING SERVICES, LTD.

Notes to Financial Statements
December 31, 1997 and 1996

NOTE B - SALE OF PARTNERSHIP INTEREST - Continued

A summary of the fair value of assets acquired and liabilities assumed is as follows:

Receivables	\$ 1,553,221
Other assets	288,189
Property and equipment	111,979
Goodwill	3,101,923
Accounts payable	(412,632)
Other payables	(547,401)
Notes payable	<u>(1,025,097)</u>
	<u>\$ 3,070,182</u>

The purchase price was adjusted for the release of shares under the earn-out agreement with the sellers. The adjustment, based on the value of stock released, was \$270,800 and increased goodwill.

NOTE C - SHORT-TERM DEBT OBLIGATIONS

The Partnership has a revolving note payable - line of credit with a capital corporation with a maximum facility of \$7,500,000 subject to borrowing limitations based on collateral. Subsequent to December 31, 1997, the maximum facility was increased to \$10,000,000. Interest is payable monthly at the prime rate plus 1.5% (10% at December 31, 1997) and the principal is due March 25, 2000. The note is secured by substantially all the assets of the Partnership. The line of credit agreement contains certain covenants which require the Partnership to maintain certain financial ratios related to debt servicing and to limit capital expenditures and additional indebtedness. The Partnership was in non-compliance with one of these covenants, that is, exceeding the capital expenditure limitations at November 30, 1997. The Partnership obtained a waiver from the capital corporation.

The Partnership had a revolving line of credit with a bank. Interest was payable monthly at the prime rate plus 1.5% (9.75% at December 31, 1996). The line was settled in March, 1997 through proceeds from the above line of credit.

NOTE D - NOTES PAYABLE

Notes payable at December 31, 1997 and 1996 are as follows:

	<u>1997</u>	<u>1996</u>
Installment note payable to an affiliated company, due in monthly installments of \$5,713, including interest at 10% per annum, maturing June 1998; not secured	\$ 49,250	\$ -
Note payable to a third party bearing interest at 2% over prime per annum (10.25% at December 31, 1997 and 1996); principle due August 20, 1997, secured by all Hold equipment, settled in March, 1997 through proceeds from line of credit.	-	136,701
Note payable to a third party bearing interest at 16% per annum; principle due December 1, 1997, not secured.	-	619,525

HOLD BILLING SERVICES, LTD.
Notes to Financial Statements
December 31, 1997 and 1996

NOTE D - NOTES PAYABLE - Continued

Note payable to a related party bearing interest at 14% per annum, payable quarterly; principle and any unpaid interest due April 1998, secured by second lien on Hold advance payment receivables.	250,000		250,000
	-		<u>100,000</u>
Note payable to a related party bearing interest at 14% per annum; principle and interest due September 30, 1997, secured by second lien on Hold advance payment receivables.	<u>299,250</u>		1,126,226
	-		-
Less current maturities	<u>(299,250)</u>		<u>(1,126,226)</u>
Long-term portion	<u>\$ -</u>		<u>\$ -</u>

NOTE E - RELATED PARTY TRANSACTIONS

The note payable to Parent at December 31, 1996 was repaid in 1997 through offsets with amounts due from Parent. The Partnership has other amounts due under notes payable to related parties (See Note D).

NOTE F - PARTNERS' CAPITAL

Prior to the acquisition by Avery in November, 1997, there was a general partner and six limited partners who together with the general partner contributed initial capital of \$1,000 in the following respective percentages:

HOLD B&C (general partner)	1%
Limited partners	99%

In accordance with the Partnership Agreement, net profits and losses are allocated in the same ratio as the initial capital contribution through the acquisition date.

NOTE G - COMMITMENTS AND CONTINGENCIES

The Company has entered into various non-cancelable operating leases relating to equipment and office space. Future minimum payments on leases having remaining terms in excess of one year as of December 31, 1997 are as follows:

Year ending December 31,	
1998	\$ 111,917
1999	109,614
2000	108,462
2001	108,462
2002	<u>108,462</u>
Total future minimum rentals	<u>\$ 546,917</u>

Rent expense for the years ended December 31, 1997 and 1996 amounted to \$84,608 and \$26,163, respectively.

HOLD BILLING SERVICES, LTD.

Notes to Financial Statements
December 31, 1997 and 1996

NOTE G - COMMITMENTS AND CONTINGENCIES - Continued

The Partnership is obligated to pay minimum usage charges over the lifetime of most LEC billing contracts. Each contract has a minimum usage amount. The remaining minimum usage for significant contracts at December 31, 1997 is as follows:

	<u>Amount</u>	<u>Expires</u>
Contract 1	\$ 8,885,000	June 22, 2001
Contract 2	2,220,000	August 31, 1998
Others	<u>972,000</u>	Throughout 1998
	<u>\$12,077,000</u>	

The Partnership files consolidated sales and excise tax returns on behalf of its customers for the various municipal, state and Federal jurisdictions in which its customers do business. The Partnership relies on monthly tax reports it receives from the LEC's in reporting and remitting such taxes. While the Partnership's customers are contractually obligated to reimburse Billing for any disputes with taxing authorities that may arise from such filings, Billing is contingently liable for any such disputes or assessments if its customers are unable or unwilling to honor the contract provisions. There were no such disputes at December 31, 1997.

NOTE H - CONCENTRATION OF CREDIT RISK AND SIGNIFICANT CUSTOMERS

Four customers accounted for approximately 48% of the Partnership's revenues in 1997. Three customers accounted for 90% of the Partnership's revenues in 1996 (including 44% from HOLD). At December 31, 1997, four customers represented 64% of Billing's outstanding advance payment receivables. At December 31, 1996, one customer represented 37% and five customers represented 89% of Billing's outstanding advanced payment receivables. Credit risk with respect to trade accounts receivable generated through billing services is limited as the Company collects its fees through receipt of all its customers cash directly from LEC's. The credit risk with respect to purchase of accounts receivable is reduced as the Company only advances up to 75% of the gross accounts receivable purchased. Management evaluates accounts receivable balances on an on-going basis and provides allowances as necessary for amounts estimated to eventually become uncollectible which at December 31, 1997 and 1996 were considered to be minimal. In the event of complete non-performance of accounts receivable, the maximum exposure to the Partnership is the recorded amount shown on the balance sheet.

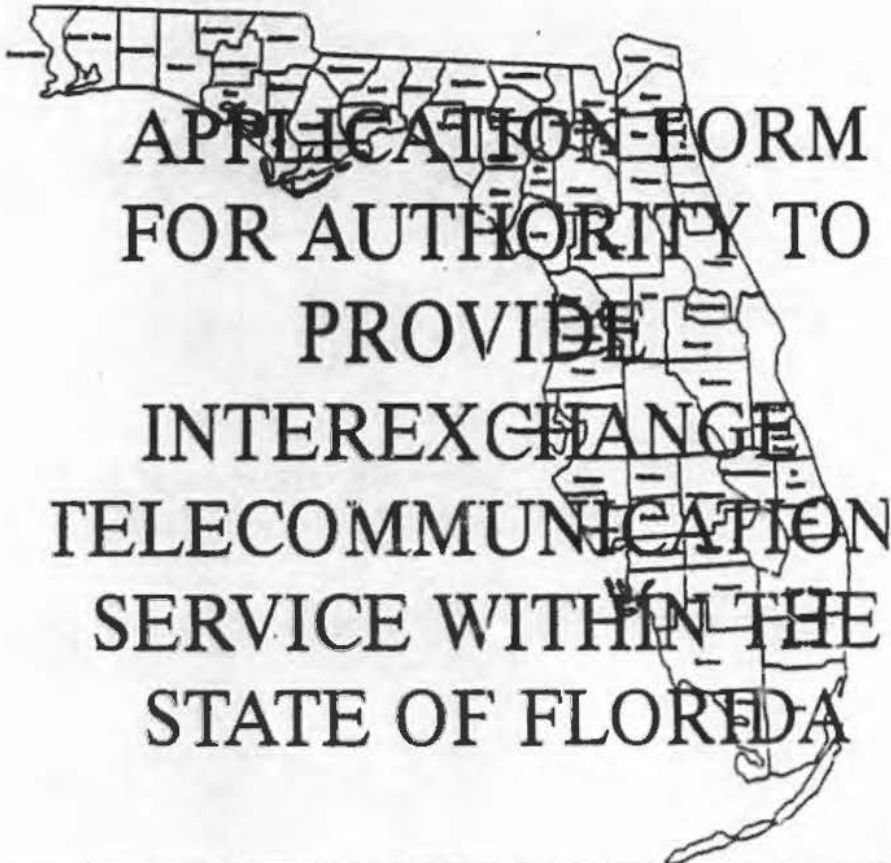
The Partnership is at risk to the extent that cash held at banks exceeds the Federal Deposit Insurance Corporation insured amounts. Cash in excess of these limits amounted to approximately \$700,000 at December 31, 1997. The Partnership minimizes this risk by placing its cash with high credit quality financial institutions.

NOTE I - 401(k) PLAN

Avery initiated a 401(k) Plan ("Plan") which covers substantially all of Avery's and Billing's employees. Employees can contribute up to \$9,500 for 1996 and 1997. Avery matches contributions to the Plan at \$0.25 per dollar up to 3% of employees compensation and may make additional discretionary contributions. During 1997 and 1996, \$4,413 and \$1,020, respectively were contributed to the Plan for the benefit of the Partnership's employees.

ORIGINAL

DEPOSIT DATE
D813 JUL 20 1998



APPLICATION FORM
FOR AUTHORITY TO
PROVIDE
INTEREXCHANGE
TELECOMMUNICATION
SERVICE WITHIN THE
STATE OF FLORIDA



4242 MEDICAL DR., STE. 2100
SAN ANTONIO, TX 78229
(210) 593-0222



004621

004621

PAY

*TWO HUNDRED FIFTY DOLLARS AND NO CENTS

DATE
07/17/98

AMOUNT
*****250.00*

TO THE
ORDER
OF:

Florida Public Serv Commission
Division of Administration
2540 Shumard Oak Blvd.
Tallahassee FL 32399-0850

VOID AFTER 30 DAYS

David W. Medley

0003115