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BellSouth Telecommunications, Inc.
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Tallahassee, Florida 32301-1556

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A. M. Lomberdo
Regulatory Vice President

RECORDS AND
REPORTING

August 3, 1998

Mrs. Blanca S. Bayo
Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

980988-7P

Re: Approval of the Resale Agreement Negotiated by BellSouth Telecommunications, Inc. ("BellSouth") and Credit Loan, Inc. pursuant to Sections 251 and 252 of the Telecommunications Act of 1996

Dear Mrs. Bayo:

Pursuant to section 252(e) of the Telecommunications Act of 1996, BellSouth and Credit Loan, Inc. are submitting to the Florida Public Service Commission their negotiated agreement for the purchase of BellSouth's telecommunications services for the purpose of resale to end users by Credit Loan, Inc.

Pursuant to section 252(e) of the Act, the Commission is charged with approving or rejecting the negotiated agreement between BellSouth and Credit Loan, Inc. within 90 days of its submission. The Act provides that the Commission may only reject such an agreement if it finds that the agreement or any portion of the agreement discriminates against a telecommunications carrier not a party to the agreement or the implementation of the agreement or any portion of the agreement is not consistent with the public interest, convenience and necessity. Both parties aver that neither of these reasons exist as to the agreement they have negotiated and therefore, are very hopeful that the Commission shall approve their agreement.

Very truly yours,

for Nancy H. Sims
Regulatory Vice President

DOCUMENT NUMBER-DATE

~~08208~~ AUG-3 98

FPSC-RECORDS/REPORTING

Agreement Between BellSouth Telecommunications, Inc. and Credit Loans, Inc. d/b/a Lone Star Telephone Regarding The Sale of BellSouth Telecommunications Services to Credit Loans, Inc. d/b/a Lone Star Telephone For The Purposes of Resale

THIS AGREEMENT is by and between BellSouth Telecommunications, Inc., ("BellSouth" or "Company"), a Georgia corporation, and Credit Loans, Inc. d/b/a Lone Star Telephone ("Lone Star Telephone"), a Texas corporation, and shall be deemed effective as of July 20, 1998.

WITNESSETH

WHEREAS, BellSouth is a local exchange telecommunications company authorized to provide telecommunications services in the states of Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee; and

WHEREAS, Lone Star Telephone is or seeks to become an alternative local exchange telecommunications company authorized to provide telecommunications services in the states of Florida, Georgia and Louisiana; and;

WHEREAS, Lone Star Telephone desires to resell BellSouth's telecommunications services; and

WHEREAS, BellSouth has agreed to provide such services to Lone Star Telephone for resale purposes and pursuant to the terms and conditions set forth herein;

NOW, THEREFORE, for and in consideration of the mutual premises and promises contained herein, BellSouth and Lone Star Telephone do hereby agree as follows:

I. Term of the Agreement

- A. The term of this Agreement shall be two years beginning July 20, 1998 and shall apply to all of BellSouth's serving territory as of January 1, 1998 in the states of Florida, Georgia and Louisiana; and
- B. This Agreement shall be automatically renewed for two additional one year periods unless either party indicates its intent not to renew the Agreement. Notice of such intent must be provided, in writing, to the other party no later than 60 days prior to the end of the then-existing contract period. The terms of this Agreement shall remain in effect after the term of the existing agreement has expired and while a new agreement is being negotiated.

The rates pursuant by which Lone Star Telephone is to purchase services from BellSouth for resale shall be at a discount rate off of the retail rate for the telecommunications service. The discount rates shall be as set forth in Exhibit A, attached hereto and incorporated herein by this reference. Such discount shall reflect the costs avoided by BellSouth when selling a service for wholesale purposes.

II. Definition of Terms

- A. CUSTOMER OF RECORD means the entity responsible for placing application for service; requesting additions, rearrangements, maintenance or discontinuance of service; payment in full of charges incurred such as non-recurring, monthly recurring, toll, directory assistance, etc.
- B. DEPOSIT means assurance provided by a customer in the form of cash, surety bond or bank letter of credit to be held by the Company.
- C. END USER means the ultimate user of the telecommunications services.

- D. **END USER CUSTOMER LOCATION** means the physical location of the premises where an end user makes use of the telecommunications services.
- E. **NEW SERVICES** means functions, features or capabilities that are not currently offered by BellSouth. This includes packaging of existing services or combining a new function, feature or capability with an existing service.
- F. **OTHER/COMPETITIVE LOCAL EXCHANGE COMPANY (OLEC/CLEC)** means a telephone company certificated by the public service commissions of the Company's franchised area to provide local exchange service within the Company's franchised area.
- G. **RESALE** means an activity wherein a certificated CLEC, such as Lone Star Telephone subscribes to the telecommunications services of the Company and then reoffers those telecommunications services to the public (with or without "adding value").
- H. **RESALE SERVICE AREA** means the area, as defined in a public service commission approved certificate of operation, within which an CLEC, such as Lone Star Telephone, may offer resold local exchange telecommunications service.

III. General Provisions

- A. Lone Star Telephone may resell the tariffed local exchange and toll telecommunications services of BellSouth contained in the General Subscriber Service Tariff and Private Line Service Tariff subject to the terms, and conditions specifically set forth herein. Notwithstanding the foregoing, the exclusions and limitations on services available for resale will be as set forth in Exhibit B, attached hereto and incorporated herein by this reference.

BellSouth shall make available telecommunications services for resale at the rates set forth in Exhibit A to this agreement and subject to the exclusions and limitations set forth in Exhibit B to this agreement. It does not however waive its rights to appeal or otherwise challenge any decision regarding resale that resulted in the discount rates contained in Exhibit A or the exclusions and limitations contained in Exhibit B. BellSouth reserves the right to pursue any and all legal and/or equitable remedies, including appeals of any decisions. If such appeals or challenges result in changes in the discount rates or exclusions and limitations, the parties agree that appropriate modifications to this Agreement will be made promptly to make its terms consistent with the outcome of the appeal.

- B. Lone Star Telephone may purchase resale services from BellSouth for their own use in operating their business. The resale discount will apply to those services under the following conditions:
 - 1. Lone Star Telephone must resell services to other end users.
 - 2. Lone Star Telephone must order services through resale interfaces, i. e., the LCSC and/or appropriate Resale Account Teams.
 - 3. Lone Star Telephone cannot be an alternative local exchange telecommunications company for the single purpose of selling to themselves.
- C. The provision of services by the Company to Lone Star Telephone does not constitute a joint undertaking for the furnishing of any service.
- D. Lone Star Telephone will be the customer of record for all services purchased from BellSouth. Except as specified herein, the Company will take orders from, bill and expect payment from Lone Star Telephone for all services.

- E. Lone Star Telephone will be the Company's single point of contact for all services purchased pursuant to this Agreement. The Company shall have no contact with the end user except to the extent provided for herein.
- F. The Company will continue to bill the end user for any services that the end user specifies it wishes to receive directly from the Company.
- G. The Company maintains the right to serve directly any end user within the service area of Lone Star Telephone. The Company will continue to directly market its own telecommunications products and services and in doing so may establish independent relationships with end users of Lone Star Telephone.
- H. Neither Party shall interfere with the right of any person or entity to obtain service directly from the other Party.
- I. Current telephone numbers may normally be retained by the end user. However, telephone numbers are the property of the Company and are assigned to the service furnished. Lone Star Telephone has no property right to the telephone number or any other call number designation associated with services furnished by the Company, and no right to the continuance of service through any particular central office. The Company reserves the right to change such numbers, or the central office designation associated with such numbers, or both, whenever the Company deems it necessary to do so in the conduct of its business.
- J. The Company may provide any service or facility for which a charge is not established herein, as long as it is offered on the same terms to Lone Star Telephone.
- K. Service is furnished subject to the condition that it will not be used for any unlawful purpose.
- L. Service will be discontinued if any law enforcement agency advises that the service being used is in violation of the law.
- M. The Company can refuse service when it has grounds to believe that service will be used in violation of the law.
- N. The Company accepts no responsibility to any person for any unlawful act committed by Lone Star Telephone or its end users as part of providing service to Lone Star Telephone for purposes of resale or otherwise.
- O. The Company will cooperate fully with law enforcement agencies with subpoenas and court orders for assistance with the Company's customers. Law enforcement agency subpoenas and court orders regarding end users of Lone Star Telephone will be directed to Lone Star Telephone. The Company will bill Lone Star Telephone for implementing any requests by law enforcement agencies regarding Lone Star Telephone end users.
- P. The characteristics and methods of operation of any circuits, facilities or equipment provided by any person or entity other than the Company shall not:
 - 1. Interfere with or impair service over any facilities of the Company, its affiliates, or its connecting and concurring carriers involved in its service;
 - 2. Cause damage to their plant;
 - 3. Impair the privacy of any communications; or
 - 4. Create hazards to any employees or the public.

- Q. Lone Star Telephone assumes the responsibility of notifying the Company regarding less than standard operations with respect to services provided by Lone Star Telephone.
- R. Facilities and/or equipment utilized by BellSouth to provide service to Lone Star Telephone remain the property of BellSouth.
- S. White page directory listings will be provided in accordance with regulations set forth in Section A6 of the General Subscriber Service Tariff and will be available for resale.
- T. BellSouth will provide customer record information to Lone Star Telephone provided Lone Star Telephone has the appropriate Letter(s) of Authorization. BellSouth may provide customer record information via one of the following methods: US mail, fax, or by electronic interface. BellSouth will provide customer record information via US mail or fax on an interim basis only.
 - 1. Lone Star Telephone agrees to compensate BellSouth for all BellSouth incurred expenditures associated with providing such information to Lone Star Telephone. Lone Star Telephone will adopt and adhere to the BellSouth guidelines associated with each method of providing customer record information.
 - 2. All costs incurred by BellSouth to develop and implement operational interfaces shall be recovered from resellers who utilize the services. Charges for use of Operational Support Systems (OSS) shall be as set forth in Exhibit A of this agreement.
- U. BellSouth will provide certain selected messaging services to Lone Star Telephone for resale of messaging service without the wholesale discount.
- V. BellSouth's Inside Wire Maintenance Plans may be made available for resale at rates, terms and conditions as set forth by BellSouth and without the wholesale discount.
- W. All costs incurred by BellSouth for providing services requested by Lone Star Telephone that are not covered in the BellSouth tariffs shall be recovered from the Lone Star Telephone who utilizes those services.

IV. BellSouth's Provision of Services to Lone Star Telephone

- A. Lone Star Telephone agrees that its resale of BellSouth services shall be as follows:
 - 1. The resale of telecommunications services shall be limited to users and uses conforming to the class of service restrictions.
 - 2. To the extent Lone Star Telephone is a telecommunications carrier that serves greater than 5 percent of the Nation's presubscribed access lines, Lone Star Telephone shall not jointly market its interLATA services with the telecommunications services purchased from BellSouth pursuant to this Agreement in any of the states covered under this Agreement. For the purposes of this subsection, to jointly market means any advertisement, marketing effort or billing in which the telecommunications services purchased from BellSouth for purposes of resale to customers and interLATA services offered by Lone Star Telephone are packaged, tied, bundled, discounted or offered together in any way to the end user. Such efforts include, but are not limited to, sales referrals, resale arrangements, sales agencies or billing agreements. This subsection shall be void and of no effect for a particular state covered under this Agreement as of February 8, 1999 or on the date BellSouth is authorized to offer interLATA services in that state, whichever is earlier.

3. Hotel and Hospital PBX service are the only telecommunications services available for resale to Hotel/Motel and Hospital end users, respectively. Similarly, Access Line Service for Customer Provided Coin Telephones is the only local service available for resale to Independent Payphone Provider (IPP) customers. Shared Tenant Service customers can only be sold those telecommunications services available in the Company's A23 Shared Tenant Service Tariff (A27 in the state of Tennessee).
 4. Lone Star Telephone is prohibited from furnishing both flat and measured rate service on the same business premises to the same subscribers (end users) as stated in A2 of the Company's Tariff except for backup service as indicated in the applicable state tariff Section A3.
 5. If telephone service is established and it is subsequently determined that the class of service restriction has been violated, Lone Star Telephone will be notified and billing for that service will be immediately changed to the appropriate class of service. Service charges for changes between class of service, back billing, and interest as described in this subsection shall apply at the Company's sole discretion. Interest at a rate as set forth in Section A2 of the General Subscriber Service Tariff and Section B2 of the Private Line Service Tariff for the applicable state, compounded daily for the number of days from the back billing date to and including the date that Lone Star Telephone actually makes the payment to the Company may be assessed.
 6. The Company reserves the right to periodically audit services purchased by Lone Star Telephone to establish authenticity of use. Such audit shall not occur more than once in a calendar year. Lone Star Telephone shall make any and all records and data available to the Company or the Company's auditors on a reasonable basis. The Company shall bear the cost of said audit.
- B. Resold services can only be used in the same manner as specified in the Company's Tariff. Resold services are subject to the same terms and conditions as are specified for such services when furnished to an individual end user of the Company in the appropriate section of the Company's Tariffs. Specific tariff features, e.g. a usage allowance per month, shall not be aggregated across multiple resold services. Resold services cannot be used to aggregate traffic from more than one end user customer except as specified in Section A23. of the Company's Tariff referring to Shared Tenant Service.
- C. Lone Star Telephone may resell services only within the specific resale service area as defined in its certificate.
- D. Telephone numbers transmitted via any resold service feature are intended solely for the use of the end user of the feature. Resale of this information is prohibited.
- E. No patent, copyright, trademark or other proprietary right is licensed, granted or otherwise transferred by this Agreement. Lone Star Telephone is strictly prohibited from any use, including but not limited to sales, marketing or advertising, of any BellSouth name or trademark.

V. Maintenance of Services

- A. Lone Star Telephone will adopt and adhere to the standards contained in the applicable BellSouth Work Center Interface Agreement regarding maintenance and installation of service.
- B. Services resold under the Company's Tariffs and facilities and equipment provided by the Company shall be maintained by the Company.
- C. Lone Star Telephone or its end users may not rearrange, move, disconnect, remove or attempt to repair any facilities owned by the Company, other than by connection or disconnection to any interface means used, except with the written consent of the Company.

- D. Lone Star Telephone accepts responsibility to notify the Company of situations that arise that may result in a service problem.
- E. Lone Star Telephone will be the Company's single point of contact for all repair calls on behalf of Lone Star Telephone's end users. The parties agree to provide one another with toll-free contact numbers for such purposes.
- F. Lone Star Telephone will contact the appropriate repair centers in accordance with procedures established by the Company.
- G. For all repair requests, Lone Star Telephone accepts responsibility for adhering to the Company's prescreening guidelines prior to referring the trouble to the Company.
- H. The Company will bill Lone Star Telephone for handling troubles that are found not to be in the Company's network pursuant to its standard time and material charges. The standard time and material charges will be no more than what BellSouth charges to its retail customers for the same services.
- I. The Company reserves the right to contact Lone Star Telephone's customers, if deemed necessary, for maintenance purposes.

VI. Establishment of Service

- A. After receiving certification as a local exchange company from the appropriate regulatory agency, Lone Star Telephone will provide the appropriate Company service center the necessary documentation to enable the Company to establish a master account for Lone Star Telephone. Such documentation shall include the Application for Master Account, proof of authority to provide telecommunications services, an Operating Company Number ("OCN") assigned by the National Exchange Carriers Association ("NECA") and a tax exemption certificate, if applicable. When necessary deposit requirements are met, the Company will begin taking orders for the resale of service.
- B. Service orders will be in a standard format designated by the Company.
- C. When notification is received from Lone Star Telephone that a current customer of the Company will subscribe to Lone Star Telephone's service, standard service order intervals for the appropriate class of service will apply.
- D. The Company will not require end user confirmation prior to establishing service for Lone Star Telephone's end user customer. Lone Star Telephone must, however, be able to demonstrate end user authorization upon request.
- E. Lone Star Telephone will be the single point of contact with the Company for all subsequent ordering activity resulting in additions or changes to resold services except that the Company will accept a request directly from the end user for conversion of the end user's service from Lone Star Telephone to the Company or will accept a request from another CLEC for conversion of the end user's service from Lone Star Telephone to the other LEC. The Company will notify Lone Star Telephone that such a request has been processed.
- F. If the Company determines that an unauthorized change in local service to Lone Star Telephone has occurred, the Company will reestablish service with the appropriate local service provider and will assess Lone Star Telephone as the CLEC initiating the unauthorized change, the unauthorized change charge described in F.C.C. Tariff No. 1, Section 13 or applicable state tariff. Appropriate nonrecurring charges, as set forth in Section A.4. of the General Subscriber Service Tariff, will also be assessed to Lone Star

Telephone. These charges can be adjusted if Lone Star Telephone provides satisfactory proof of authorization.

- G. In order to safeguard its interest, the Company reserves the right to secure the account with a suitable form of security deposit, unless satisfactory credit has already been established.
1. Such security deposit shall take the form of an irrevocable Letter of Credit or other forms of security acceptable to the Company. Any such security deposit may be held during the continuance of the service as security for the payment of any and all amounts accruing for the service.
 2. If a security deposit is required, such security deposit shall be made prior to the inauguration of service.
 3. Such security deposit may not exceed two months' estimated billing.
 4. The fact that a security deposit has been made in no way relieves Lone Star Telephone from complying with the Company's regulations as to advance payments and the prompt payment of bills on presentation nor does it constitute a waiver or modification of the regular practices of the Company providing for the discontinuance of service for non-payment of any sums due the Company.
 5. The Company reserves the right to increase the security deposit requirements when, in its sole judgment, circumstances so warrant and/or gross monthly billing has increased beyond the level initially used to determine the security deposit.
 6. In the event that Lone Star Telephone defaults on its account, service to Lone Star Telephone will be terminated and any security deposits held will be applied to its account.
 7. Interest on a security deposit shall accrue and be refunded in accordance with the terms in the appropriate BellSouth tariff.

VII. Payment And Billing Arrangements

- A. Prior to submitting orders to the Company for local service, a master account must be established for Lone Star Telephone. The Lone Star Telephone is required to provide the following before a master account is established: proof of PSC/PUC certification, the Application for Master Account, an Operating Company Number ("OCN") assigned by the National Exchange Carriers Association ("NECA") and a tax exemption certificate, if applicable.
- B. The Company shall bill Lone Star Telephone on a current basis all applicable charges and credits.
- C. Payment of all charges will be the responsibility of Lone Star Telephone. Lone Star Telephone shall make payment to the Company for all services billed. The Company is not responsible for payments not received by Lone Star Telephone from Lone Star Telephone's customer. The Company will not become involved in billing disputes that may arise between Lone Star Telephone and its customer. Payments made to the Company as payment on account will be credited to an accounts receivable master account and not to an end user's account.
- D. The Company will render bills each month on established bill days for each of Lone Star Telephone's accounts.

- E. The Company will bill Lone Star Telephone, in advance, charges for all services to be provided during the ensuing billing period except charges associated with service usage, which charges will be billed in arrears. Charges will be calculated on an individual end user account level, including, if applicable, any charges for usage or usage allowances. BellSouth will also bill all charges, including but not limited to 911 and E911 charges, telecommunications relay charges, and franchise fees, to Lone Star Telephone.
- F. The payment will be due by the next bill date (i.e., same date in the following month as the bill date) and is payable in immediately available funds. Payment is considered to have been made when received by the Company.
1. If the payment due date falls on a Sunday or on a Holiday which is observed on a Monday, the payment due date shall be the first non-Holiday day following such Sunday or Holiday. If the payment due date falls on a Saturday or on a Holiday which is observed on Tuesday, Wednesday, Thursday, or Friday, the payment due date shall be the last non-Holiday day preceding such Saturday or Holiday. If payment is not received by the payment due date, a late payment penalty, as set forth in I. following, shall apply.
 2. If Lone Star Telephone requests multiple billing media or additional copies of bills, the Company will provide these at an appropriate charge to Lone Star Telephone.
- G. Billing Disputes
1. Each Party agrees to notify the other Party upon the discovery of a billing dispute. In the event of a billing dispute, the Parties will endeavor to resolve the dispute within sixty (60) calendar days of the Bill Date on which such disputed charges appear. Resolution of the dispute is expected to occur at the first level of management resulting in a recommendation for settlement of the dispute and closure of a specific billing period. If the issues are not resolved within the allotted time frame, the following resolution procedure will begin:
 - 1.1 If the dispute is not resolved within sixty (60) days of the Bill Date, the dispute will be escalated to the second level of management for each of the respective Parties for resolution. If the dispute is not resolved within ninety (90) days of the Bill Date, the dispute will be escalated to the third level of management for each of the respective Parties for resolution.
 - 1.2. If the dispute is not resolved within one hundred and twenty (120) days of the Bill Date, the dispute will be escalated to the fourth level of management for each of the respective Parties for resolution.
 2. If a Party disputes a charge and does not pay such charge by the payment due date, such charges shall be subject to late payment charges as set forth in the Late Payment Charges provision of this Attachment. If a Party disputes charges and the dispute is resolved in favor of such Party, the other Party shall credit the bill of the disputing Party for the amount of the disputed charges along with any late payment charges assessed no later than the second Bill Date after the resolution of the dispute. Accordingly, if a Party disputes charges and the dispute is resolved in favor of the other Party, the disputing Party shall pay the other Party the amount of the disputed charges and any associated late payment charges assessed no later than the second bill payment due date after the resolution of the dispute. In no event, however, shall any late payment charges be assessed on any previously assessed late payment charges.
- H. Upon proof of tax exempt certification from Lone Star Telephone, the total amount billed to Lone Star Telephone will not include any taxes due from the end user. Lone Star Telephone will be solely responsible for the computation, tracking, reporting and payment of all federal, state and/or local jurisdiction taxes associated with the services resold to the end user.

- I. As the customer of record, Lone Star Telephone will be responsible for, and remit to the Company, all charges applicable to its resold services for emergency services (E911 and 911) and Telecommunications Relay Service (TRS) as well as any other charges of a similar nature.
 - J. If any portion of the payment is received by the Company after the payment due date as set forth preceding, or if any portion of the payment is received by the Company in funds that are not immediately available to the Company, then a late payment penalty shall be due to the Company. The late payment penalty shall be the portion of the payment not received by the payment due date times a late factor. The late factor shall be as set forth in Section A2 of the General Subscriber Service Tariff and Section B2 of the Private Line Service Tariff.
 - K. Any switched access charges associated with interexchange carrier access to the resold local exchange lines will be billed by, and due to, the Company. No additional charges are to be assessed to Lone Star Telephone.
 - L. The Company will not perform billing and collection services for Lone Star Telephone as a result of the execution of this Agreement. Requests by the Lone Star Telephone for assistance with billing services should be referred to the appropriate entity or operational group within the Company.
 - M. Pursuant to 47 CFR Section 51.617, the Company will bill Lone Star Telephone end user common line charges identical to the end user common line charges the Company bills its end users.
 - N. In general, the Company will not become involved in disputes between Lone Star Telephone and Lone Star Telephone's end user customers over resold services. If a dispute does arise that cannot be settled without the involvement of the Company, Lone Star Telephone shall contact the designated Service Center for resolution. The Company will make every effort to assist in the resolution of the dispute and will work with Lone Star Telephone to resolve the matter in as timely a manner as possible. Lone Star Telephone may be required to submit documentation to substantiate the claim.
- VIII. Discontinuance of Service**
- A. The procedures for discontinuing service to an end user are as follows:
 1. Where possible, the Company will deny service to Lone Star Telephone's end user on behalf of, and at the request of, Lone Star Telephone. Upon restoration of the end user's service, restoral charges will apply and will be the responsibility of Lone Star Telephone.
 2. At the request of Lone Star Telephone, the Company will disconnect a Lone Star Telephone end user customer.
 3. All requests by Lone Star Telephone for denial or disconnection of an end user for nonpayment must be in writing.
 4. Lone Star Telephone will be made solely responsible for notifying the end user of the proposed disconnection of the service.
 5. The Company will continue to process calls made to the Annoyance Call Center and will advise Lone Star Telephone when it is determined that annoyance calls are originated from one of their end user's locations. The Company shall be indemnified, defended and held harmless by Lone Star Telephone and/or the end user against any claim, loss or damage arising from providing this information to Lone Star Telephone. It is the responsibility of Lone Star Telephone to take the corrective action necessary with its customers who make annoying calls. Failure to do so will result in the Company's disconnecting the end user's service.

B. The procedures for discontinuing service to Lone Star Telephone are as follows:

1. The Company reserves the right to suspend or terminate service for nonpayment or in the event of prohibited, unlawful or improper use of the facilities or service, abuse of the facilities, or any other violation or noncompliance by Lone Star Telephone of the rules and regulations of the Company's Tariffs.
2. If payment of account is not received by the bill day in the month after the original bill day, BellSouth may provide written notice to Lone Star Telephone that additional applications for service will be refused and that any pending orders for service will not be completed if payment is not received by the fifteenth day following the date of the notice. In addition BellSouth may, at the same time, give thirty days notice to the person designated by Lone Star Telephone to receive notices of noncompliance, discontinue the provision of existing services to Lone Star Telephone at any time thereafter.
3. In the case of such discontinuance, all billed charges, as well as applicable termination charges, shall become due.
4. If BellSouth does not discontinue the provision of the services involved on the date specified in the thirty days notice and Lone Star Telephone's noncompliance continues, nothing contained herein shall preclude BellSouth's right to discontinue the provision of the services to Lone Star Telephone without further notice.
5. If payment is not received or arrangements made for payment by the date given in the written notification, Lone Star Telephone's services will be discontinued. Upon discontinuance of service on a Lone Star Telephone's account, service to Lone Star Telephone's end users will be denied. The Company will also reestablish service at the request of the end user or Lone Star Telephone's upon payment of the appropriate connection fee and subject to the Company's normal application procedures. Lone Star Telephone's is solely responsible for notifying the end user of the proposed disconnection of the service.
6. If within fifteen days after an end user's service has been denied no contact has been made in reference to restoring service, the end user's service will be disconnected.

IX. Liability

- A. The liability of the Company for damages arising out of mistakes, omissions, interruptions, preemptions, delays errors or defects in transmission, or failures or defects in facilities furnished by the Company, occurring in the course of furnishing service or other facilities and not caused by the negligence of Lone Star Telephone, or of the Company in failing to maintain proper standards of maintenance and operation and to exercise reasonable supervision shall in no event exceed an amount equivalent to the proportionate charge to Lone Star Telephone for the period of service during which such mistake, omission, interruption, preemption, delay, error or defect in transmission or defect or failure in facilities occur. The Company shall not be liable for damage arising out of mistakes, omission, interruptions, preemptions, delays, errors or defects in transmission or other injury, including but not limited to injuries to persons or property from voltages or currents transmitted over the service of the Company, (1) caused by customer-provided equipment (except where a contributing cause is the malfunctioning of a Company-provided connecting arrangement, in which event the liability of the Company shall not exceed an amount equal to a proportional amount of the Company billing for the period of service during which such mistake, omission, interruption, preemption, delay, error, defect in transmission or injury occurs), or (2) not prevented by customer-provided equipment but which would have been prevented had Company-provided equipment been used.

- B. The Company shall be indemnified and saved harmless by Lone Star Telephone against any and all claims, actions, causes of action, damages, liabilities, or demands (including the costs, expenses and reasonable attorney's fees, on account thereof) of whatever kind or nature that may be made by any third party as a result of the Company's furnishing of service to Lone Star Telephone.
- C. The Company shall be indemnified, defended and held harmless by Lone Star Telephone and/or the end user against any claim, loss or damage arising from the use of services offered for resale involving:
1. Claims for libel, slander, invasion of privacy or infringement of copyright arising from Lone Star Telephone's or end user's own communications.
 2. Claims for patent infringement arising from acts combining or using Company services in connection with facilities or equipment furnished by the end user or Lone Star Telephone.
 3. All other claims arising out of an act or omission of Lone Star Telephone or its end user in the course of using services.
- D. Lone Star Telephone accepts responsibility for providing access for maintenance purposes of any service resold under the provisions of this Tariff. The Company shall not be responsible for any failure on the part of Lone Star Telephone with respect to any end user of Lone Star Telephone.

X. Treatment of Proprietary and Confidential Information

- A. Both parties agree that it may be necessary to provide each other during the term of this Agreement with certain confidential information, including trade secret information, including but not limited to, technical and business plans, technical information, proposals, specifications, drawings, procedures, customer account data and like information (hereinafter collectively referred to as "Information"). Both parties agree that all information shall either be in writing or other tangible format and clearly marked with a confidential, private or proprietary legend, or, when the information is communicated orally, it shall also be communicated that the information is confidential, private or proprietary. The information will be returned to the owner within a reasonable time. Both parties agree that the information shall not be copied or reproduced in any form. Both parties agree to receive such information and not disclose such information. Both parties agree to protect the information received from distribution, disclosure or dissemination to anyone except employees of the parties with a need to know such information and which employees agree to be bound by the terms of this Section. Both parties will use the same standard of care to protect information received as they would use to protect their own confidential and proprietary information.
- B. Notwithstanding the foregoing, both parties agree that there will be no obligation to protect any portion of the information that is either: 1) made publicly available by the owner of the information or lawfully disclosed by a nonparty to this Agreement; 2) lawfully obtained from any source other than the owner of the information; or 3) previously known to the receiving party without an obligation to keep it confidential.

XI. Resolution of Disputes

Except as otherwise stated in this Agreement, the parties agree that if any dispute arises as to the interpretation of any provision of this Agreement or as to the proper implementation of this Agreement, either Party may petition the Commission for a resolution of the dispute. However, each party reserves any

rights it may have to seek judicial review of any ruling made by the Commission concerning this Agreement.

XII. Limitation of Use

The parties agree that this Agreement shall not be proffered by either party in another jurisdiction as evidence of any concession or as a waiver of any position taken by the other party in that jurisdiction or for any other purpose.

XIII. Waivers

A failure or delay of either Party to enforce any of the provisions hereof, to exercise any option which is herein provided, or to require performance of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or options, and each Party, notwithstanding such failure, shall have the right thereafter to insist upon the specific performance of any and all of the provisions of this Agreement.

XIV. Governing Law

This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Georgia, without regard to its conflict of laws principles.

XV. Arm's Length Negotiations

This Agreement was executed after arm's length negotiations between the undersigned parties and reflects the conclusion of the undersigned that this Agreement is in the best interests of all parties.

XVI. Notices

- A. Every notice, consent, approval, or other communications required or contemplated by this Agreement shall be in writing and shall be delivered in person or given by postage prepaid mail, address to:

BellSouth Telecommunications, Inc.

CLEC Account Team
9th Floor
600 North 19th Street
Birmingham, AL 35203

Credit Loans, Inc. d/b/a Lone Star Telephone

Larry E. Miller
137 N Main Street
Conroe, TX 77301
(409) 788-5580 Fax - (800) 393-1481

or at such other address as the intended recipient previously shall have designated by written notice to the other party.

- B. Where specifically required, notices shall be by certified or registered mail. Unless otherwise provided in this Agreement, notice by mail shall be effective on the date it is officially recorded as delivered by return receipt or equivalent, and in the absence of such record of delivery, it shall be presumed to have been delivered the fifth day, or next business day after the fifth day, after it was deposited in the mails.

XVII. Amendments

This Agreement may be amended at any time upon written agreement of both parties.

XVIII. Entire Agreement

This Agreement sets forth the entire understanding and supersedes prior agreements between the parties relating to the subject matter contained herein and merges all prior discussions between them, and neither party shall be bound by any definition, condition, provision, representation, warranty, covenant or promise other than as expressly stated in this Agreement or as is contemporaneously or subsequently set forth in writing and executed by a duly authorized officer or representative of the party to be bound thereby.

BellSouth Telecommunications, Inc.

BY: 

Signature

NAME: Jerry Hendrix
Printed Name

TITLE: Director

DATE: 7/21/98

Lone Star Telephone

BY: 

Signature

NAME: Larry E. Miller
Printed Name

TITLE: President

DATE: July 14, 1998

**EXHIBIT A
APPLICABLE DISCOUNTS**

Page 1 of 2

The telecommunications services available for purchase by Lone Star Telephone for the purposes of resale to Lone Star Telephone end users shall be available at the following discount off of the retail rate.

DISCOUNT*		
STATE	RESIDENCE	BUSINESS
ALABAMA	16.3%	16.3%
FLORIDA	21.83%	16.81%
GEORGIA	20.3%	17.3%
KENTUCKY	16.79%	15.54%
LOUISIANA	20.72%	20.72%
MISSISSIPPI	15.75%	15.75%
NORTH CAROLINA	21.5%	17.6%
SOUTH CAROLINA	14.8%	14.8%
TENNESSEE**	16%	16%

- * When a CLEC provides Resale service in a cross boundary area (areas that are part of the local service area of another state's exchange) the rates, regulations and discounts for the tariffing state will apply. Billing will be from the serving state.
- ** In Tennessee, if CLEC provides its own operator services and directory services, the discount shall be 21.56%. CLEC must provide written notification to BellSouth within 30 days prior to providing its own operator services and directory services to qualify for the higher discount rate of 21.56%.

**EXHIBIT A
OPERATIONAL SUPPORT SYSTEM (OSS) RATES**

Page 2 of 2

OPERATIONAL SUPPORT SYSTEMS (OSS) RATES				
	Interactive Ordering and Trouble Maintenance System		OSS Order Charge (per end user account)	
	Non-Recurring Establishment Charge	Recurring Charge, per month	Charge per order	Surcharge for manually placed orders
ALABAMA	\$100.00	\$50.00	\$10.80	\$22.00
FLORIDA	\$100.00	\$50.00	\$10.80	\$22.00
GEORGIA	\$200.00	\$550.00 per first 1000 electronic orders ¹ \$110.00 per each add'l 1000 electronic orders ¹	Note ²	\$22.00 ³
KENTUCKY	\$100.00	\$50.00	\$10.80	\$22.00
LOUISIANA	\$100.00	\$50.00	\$9.16	\$22.00 ³
MISSISSIPPI	\$100.00	\$50.00	\$10.80	\$22.00
NORTH CAROLINA	\$100.00	\$50.00	\$10.80	\$22.00
SOUTH CAROLINA	\$100.00	\$50.00	\$10.80	\$22.00
TENNESSEE	\$100.00	\$50.00	\$10.80	\$22.00

¹The Charge per order applies on a per end user account basis.

² The Georgia Public Service Commission ("PSC") ordered in Docket 7061 that there would be no OSS charge within the Charge per Electronic Order column. Instead the Georgia PSC ordered monthly recurring charges based on the number of orders.

³ Applies to Resale only.

EXHIBIT B

Page 1 of 2

Type of Service	AL		FL		GA		KY		LA	
	Resale?	Discount?	Resale?	Discount?	Resale?	Discount?	Resale?	Discount?	Resale?	Discount?
1 Grandfathered Services	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2 Contract Service Arrangements	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
3 Promotions - > 90 Days	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4 Promotions - < 90 Days	Yes	No	Yes	No	Yes	No	No	No	Yes	No
5 Lifeline/Link Up Services	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes
6 911/E911 Services (See Note 8)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
7 N11 Services (See Note 8)	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No
8 AdWatch SM Svc (See Note 7)	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
9 MemoryCall [®] Service	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
10 Mobile Services	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
11 Federal Subscriber Line Charges	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
12 Non-Recurring Charges	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Type of Service	MS		NC		SC		TN	
	Resale?	Discount?	Resale?	Discount?	Resale?	Discount?	Resale?	Discount?
1 Grandfathered Services	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2 Contract Service Arrangements	Note 5	Note 5	Yes	Yes	Yes	No	Yes	Yes
3 Promotions - > 90 Days	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Note 3
4 Promotions - < 90 Days	Yes	No	No	No	Yes	No	No	No
5 Lifeline/Link Up Services	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Note 4
6 911/E911 Services (See Note 8)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
7 N11 Services (See Note 8)	No	No	No	No	Yes	Yes	Yes	Yes
8 AdWatch SM Svc (See Note 7)	Yes	No	Yes	No	Yes	No	Yes	No
9 MemoryCall [®] Service	Yes	No	Yes	No	Yes	No	Yes	No
10 Mobile Services	Yes	No	Yes	No	Yes	No	Yes	No
11 Federal Subscriber Line Charges	Yes	No	Yes	No	Yes	No	Yes	No
12 Non-Recurring Charges	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No

Applicable Notes:

- Grandfathered services can be resold only to existing subscribers of the grandfathered service.
- Where available for resale, promotions will be made available only to end users who would have qualified for the promotion had it been provided by BellSouth directly.
- In Tennessee, long-term promotions (offered for more than ninety (90) days) may be obtained at one of the following rates:
 - the stated tariff rate, less the wholesale discount;
 - the promotional rate (the promotional rate offered by BellSouth will not be discounted further by the wholesale discount rate)
- Lifeline/Link Up services may be offered only to those subscribers who meet the criteria that BellSouth currently applies to subscribers National Exchange Carriers Association interstate toll settlement pool just as BellSouth does today. The maximum rate that Lone Star Telephone may charge for LifeLine Service shall be capped at the flat retail rate offered by BellSouth.
- In Mississippi, all Contract Service Arrangements entered into by BellSouth or terminating after the effective date of the Commission Order (3/10/97) will be subject to resale without the wholesale discount. All CSAs which are in place as of the effective date of the Commission order (3/10/97) will not be eligible for resale.

EXHIBIT B
Page 2 of 2

- 6 Some of BellSouth's local exchange and toll telecommunications services are not available in certain central offices and areas.
- 7 AdWatchSM Service is tariffed as BellSouth[®] AIN Virtual Number Call Detail Service
- 8 Exclusions for N11/911/E911 are also applicable to equipment associated with the service