

# COMPUTER BUSINESS SCIENCES, INC.

80-02 Kew Gardens Road, Suite 5000  
Kew Gardens, NY 11415  
v. (718) 520-6500  
f. (718) 520-0783

DEPOSIT

DATE

D 83 I

AUG 19 1998

August 17, 1998

Florida Public Service Commission  
Division of Administration  
2540 Shumard Oak Blvd., Gerald Cunter Bldg.  
Tallahassee, FL 32399-0850

Dear Sir/Madam:

Enclosed you will find an original and six (6) copies of our two Applications: one for Authority to Provide Interexchange Telecommunication Service Within the State of Florida, and one for Authority to Provide Alternative Local Exchange Service Within the State of Florida, complete with exhibits and tariffs and two checks made out to the Florida Public Service Commission for \$250 each.

Please do not hesitate to contact me at (718) 520-6500 X149 should you have any comments or questions about the application. We request expeditious treatment of this application so we can begin offering our services immediately in the State of Florida.

Many thanks, and best regards,



Deborah S. Arnott  
CLEC Regulatory Administrator

RECEIVED  
AUG 19 10 36 AM '98  
ADMINISTRATION  
MAIL ROOM

Check received with filing and  
forwarded to Fiscal for deposit.  
Fiscal to forward a copy of check  
to R/R with proof of deposit.  
Initials of person who forwarded check.



DOCUMENT NUMBER - DATE

08919 AUG 19 98

FPSC-RECORDS/REPORTING

# COMPUTER BUSINESS SCIENCES, INC.

80-02 Kew Gardens Road, Suite 5000  
Kew Gardens, NY 11415  
v. (718) 520-6500  
f. (718) 520-0783

DEPOSIT DATE  
D 83 AUG 19 1998

August 17, 1998

Florida Public Service Commission  
Division of Administration  
2540 Shumard Oak Blvd., Gerald Gunter Bldg.  
Tallahassee, FL 32399-0850

981045-TI

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Deborah S. Amott  
CLEC Regulatory Administrator

Aug 19 1998  
DOCUMENT NUMBER - DATE  
08919 AUG 19 98  
... RECEIVED / REPORTING

COMPUTER BUSINESS SCIENCES, INC.  
80-02 KEW GARDENS ROAD, SUITE 5000  
KEW GARDENS, NY 11415

CITIBANK, N.A.  
FLUSHING, NY 11366

9331

8/14/98

PAY TO THE ORDER OF Florida Public Service Commission

\$ 250.00

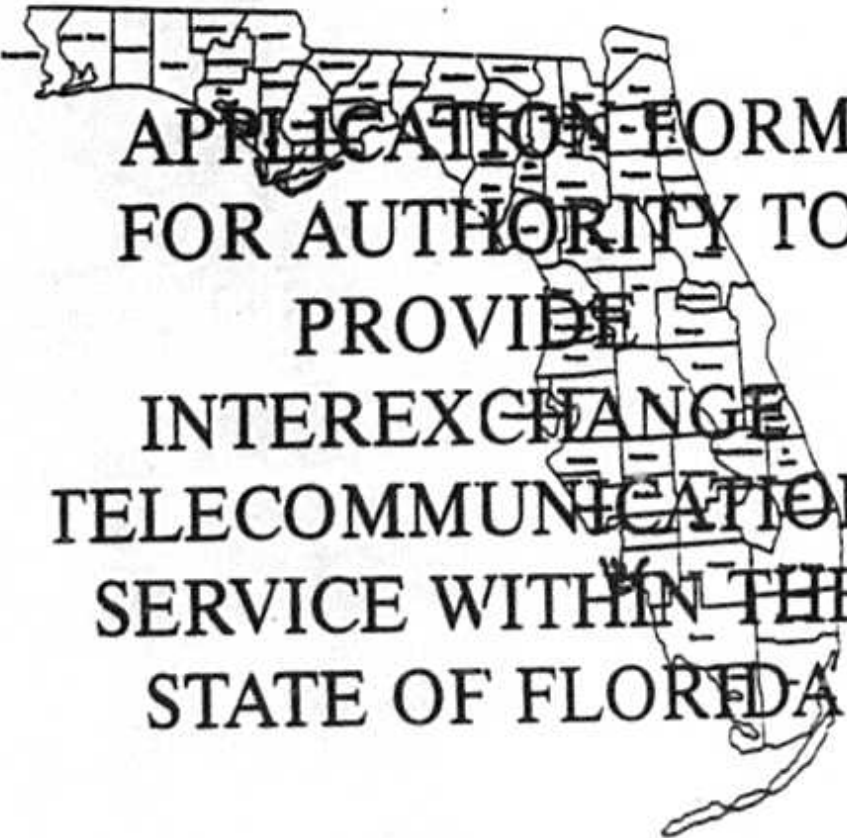
Two Hundred Fifty and 00/100

Florida Public Service Commission  
Div. of Administration  
2540 Shumard Oak Blvd  
Gerald Gunter Bldg  
Tallahassee, FL 32399  
CLEC Application

DOLLARS  
Security features  
included  
Details on back



MEMO



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

Check received with filing and  
forwarded to Fiscal for deposit.  
Fiscal to forward a copy of check  
to RAR with proof of deposit.

Initials of person who forwarded check:

AS

ADMINISTRATIVE  
MAIL ROOM

RECEIVED  
AUG 19 10 36 AM '98

DOCUMENT NUMBER-DATE

08919 AUG 19 98

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.

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:

Computer Business Sciences, Inc.

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

Computer Business Sciences, Inc.

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

80-02 Kew Gardens Road  
Suite 5000  
Kew Gardens, NY 11415

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

Not yet established

7. Structure of organization; check which applies.

- Individual                       Corporation  
 Foreign Corporation         Foreign Partnership  
 General Partnership         Limited Partnership  
 Other, \_\_\_\_\_

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

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

(b) 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

9. If incorporated, please give:

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

Corporate charter number: F9800003375

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

Robert L. Rimberg  
782 NW Le Jeune, Miami, FL 33126

- (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.

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

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

(a) The application;

Deborah Arnott  
CLEC Regulatory Administrator  
Computer Business Sciences, Inc.  
80-02 Kew Gardens Rd., Suite 5000  
Kew Gardens, NY 11415  
Phone (718) 520-6500

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

Bruce Hall  
Computer Business Sciences, Inc.  
80-02 Kew Gardens Road, Suite 5000  
Kew Gardens, NY 11415  
(718) 520-6500

(c) Tariff;

Deborah Arnott  
Computer Business Sciences, Inc.  
80-02 Kew Gardens Road, Suite 5000  
Kew Gardens, NY 11415 (718) 520-6500

(d) Complaints/Inquiries from customers;

Michael Lukin  
80-02 Kew Gardens Road, Suite 5000  
Kew Gardens, NY 11415  
(718) 520-6500

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. New York, California, Illinois, Pennsylvania, Michigan, Texas, Missouri

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

None





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

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

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Residential customers. | <input checked="" type="checkbox"/> Business customers. |
| <input type="checkbox"/> PATS providers.                   | <input type="checkbox"/> PATS station end-users.        |
| <input type="checkbox"/> Hotels & motels.                  | <input type="checkbox"/> Hotel & motel guests.          |
| <input type="checkbox"/> Universities.                     | <input type="checkbox"/> Univ. dormitory residents.     |
| <input type="checkbox"/> Other: (specify) _____            |   |

17. Please provide the following (if applicable):

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

Yes

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

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

A. Financial capability.

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.

B. Managerial capability.

C. Technical capability.

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).

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

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

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

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

MTS for pay telephone service providers

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

800 Service (Toll free)

WATS type service (Bulk or volume discount)

Method of access is via dedicated facilities

Method of access is via switched facilities

Private Line services (Channel Services)

(For ex. 1.544 mbs., DS-3, etc.)

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

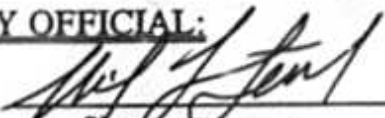
Enduser will dial either a toll-free number (1-800-\_\_\_\_\_) or a local number to be assigned by BellSouth.

22. — **Other:** 911 Service

**\*\* 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:**

  
\_\_\_\_\_  
Signature  
Richard L. Fenster  
-SVP- Chief Financial Officer  
\_\_\_\_\_  
Title

8/14/98  
\_\_\_\_\_  
Date  
718-520-6500  
\_\_\_\_\_  
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):

- (X) The applicant will not collect deposits nor will it collect payments for service more than one month in advance.
- ( ) The applicant will file with the Commission and maintain a surety bond in an amount equal to the current balance of deposits and advance payments in excess of one month. (Bond must accompany application.)

**UTILITY OFFICIAL:**

*Richard L. Ferns*  
Signature

8/14/98  
Date

Richard L. Ferns  
SUP Chief Financial Officer  
Title

(18) 520 6500  
Telephone No.





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).

Pompano Beach, North Dade, Miami, Ft. Lauderdale, Hollywood

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).

All such services as outlined in Rule 25-24.471(4)(a) will be complied with via contracting with the RBOC.

6. **CURRENT FLORIDA INTRASTATE SERVICES:** Applicant has ( ) or has not (X) 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:

*Richard A. Feinstein*  
Signature

8/14/98  
Date

Richard A. Feinstein

SVP Chief Financial Officer  
Title

718 520 6500  
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

ITEMS 18(B) and (C)

**MANAGERIAL AND TECHNICAL COMPETENCE**

**Organization**

The management of CBS is built around expertise in managing and building networks. They have expertise in regulatory, financing, marketing, and technical deployment of voice and data networks.

The strength of CBS's management team stems from combined expertise in both management and technology. This will prove to be a competitive advantage as the Company matures. In addition, the leadership and alignment characteristics of CBS's management team have resulted in the establishment of broad and flexible goals designed to meet the ever-changing demands of the quickly moving market place requiring our services.

**Team Members**

**Doron Cohen**

Mr. Cohen is the President and Chief Executive Officer of Computer Business Sciences, Inc. and has served as the President and Chief Executive Officer of its parent company, Fidelity Holdings, Inc., since its incorporation in November 1995. From 1991 to 1995, Mr. Cohen served as President and Chief Executive Officer of Holtzman Enterprises.

**Kimberly Peacock**

Ms. Peacock, in her current capacity as Chief Technology Officer of Fidelity Holdings and President of the telephony subsidiary of Fidelity Holdings, Inc., is the chief architect of the Network and associated platforms. Ms. Peacock has been involved in technical planning for over 15 years and brings an incredible wealth of knowledge to CBS. She has served as a consultant for many companies on the Internet and in Telecommunications, including GE Comstor, GE Ameridata, BrookeHill Equities, Kornreich & Kornreich, among others.

**Bruce A. Hall**

Mr. Hall joined the company as Vice President of Operations in December 1997. Prior to this, Mr. Hall spent almost 30 years in the Telecommunications Industry with Bell Atlantic. He served in many capacities including Vice President of sales with NYNEX Business Information Systems and most recently as Director of Operations for Queens.

**Richard L. Feinstein**

Mr. Feinstein has served the Company's Chief Financial Officer since December 1997. In January of 1998 he was promoted to Senior Vice President-Finance and Chief Financial Officer of Fidelity Holdings. From 1994 to December 1997, Mr. Feinstein maintained his own financial and management consulting practice. From 1989 to 1994, Mr. Feinstein served as Managing Director and Chief Financial Officer of Employee Benefit Services, Inc. From 1978 to 1989, Mr. Feinstein was a partner in KPMG Peat Marwick.

#### **Paul Vesel**

Mr. Vesel has served as the Executive Vice President for Sales and Marketing of Computer Business Sciences, a subsidiary of Fidelity Holdings, since November 1996. From May 1995 to November 1996, Mr. Vesel was employed by MTC Netsource, a telecommunications company, where he was responsible for product development and from 1993 to 1995; he served as Director of European Sales and Marketing for ATC Distribution.

#### **Moise Benedid**

Mr. Benedid has served as the President of the Company's Canadian subsidiary Info Systems since August 1996. From November 1994 through July 1996, Mr. Benedid served as Vice President in charge of marketing and technical support for TelePower International, Inc. and from December 1992 to November 1994 he served as President of Powerpoint Microsystems, Inc.

#### **Zvi Barak, PhD**

Dr. Barak has served as the Director of Research and Development of the Company's Computer Telephony and Telecommunications division since April, 1996. From 1992 to August 1996, Dr. Barak served as President of Info Systems. He currently serves as the President of Computer Business Sciences Israel Division.

#### Technical Directors

##### **Dale Harris, PhD**

Executive Director, Center for Telecommunications Consulting Professor of Electrical Engineering

Education: B.S., University of Texas at Austin; M.S. and Ph.D., University of California at Berkeley.

Research Interests: Intelligent telecommunications networks; broadband network design and multimedia applications; distance education and asynchronous learning networks.

Professional Experience: Director of Strategic Technology Assessment and Executive

Director of the Advanced Technology Division, Pacific Bell (1983-1991); California Institute of Technology faculty (1985); Project Manager of Electronic Messaging Systems, Bank of America (1981-1983); Director of Technology Systems, Letterman Army Institute of Research (1977-1981); Harvard University faculty and staff (1972-1977).

Recent Professional Activities: Year 2000 IEEE Global Communications Conference Technical Program Chairman; Academic Advisory Council for The Corporation for Educational Network Initiatives in California (CENIC); Scientific Advisory Board, Swedish Institute of Computer Science and the Royal Institute of Technology; Editorial Board, Internetwork Magazine; IEEE 1994 Global Communications Conference Technical Program Chairman; Chairman, Bellcore Applied Research Advisory Committee; Vice Chairman, IEEE 1990 Global Communications Conference Executive Committee; National Technological University Management of Technology Industrial Executive Committee; Exchange Carriers Standards Association International Relations Committee; University of Southern California Communication Sciences Institute Advisory Board; University of California at Davis Department of Electrical Engineering Board of Advisors.

Memberships: Tau Beta Pi; Senior Member of IEEE Communications, Computer and Engineering Management Societies; New York Academy of Sciences.

Honors: US Distance Learning Association award for "Most Significant Advancement in Research in the Field of Distance Learning"; Department of the Army Commendation (for information systems development); Muscular Dystrophy Association Fellow; National Institutes of Health Fellow; University of Texas Engineering Fellow

Publications: 15 journal publications; author of chapters in four books; numerous conference papers.

David L. Tennenhouse, PhD

Dr. Tennenhouse is an Associate Professor of Computer Science and Electrical Engineering at MIT's Laboratory for Computer Science. He is leader of the Telemedia, Networks and Systems Group, which is addressing "systems" issues arising at the confluence of three intertwined technologies: broadband networks, high definition video, and distributed computing.

Dr. Tennenhouse studied electrical engineering at the University of Toronto, where he received his B.A.Sc. and M.A.Sc. Degrees. In 1989 he completed his Ph.D. at the Computer Laboratory of the University of Cambridge. His Ph.D. research focused on ATM-based site interconnection issues. This work, which was conducted within the Unison Project, led to the early implementation of an ATM-based wide area testbed.

#### Current Research

At the core of the group's activities are two large systems projects: the ViewStation

research program, on distributed video systems, and the Aurora gigabit testbed. The ViewStation program is pioneering a very software intensive approach to the capture, processing, transmission, storage, and display of full motion video sequences. AURORA is one of five gigabit networking testbeds funded by the Corporation for National Research Initiatives under a grant from NSF and ARPA. The TNS group's contributions to AURORA, which are mostly related to gigabit endworking includes work on: local distribution, host interfacing, and end system protocol software.

**Fouad Tobagi, PhD**

Professor of Electrical Engineering and, by courtesy, Computer Science High-Speed and Multimedia Networking and Communications

Education: Engineering Diploma, Ecole Centrale des Arts et Manufacturers (Paris, France); M.S., Ph.D., Computer Science, University of California, Los Angeles.

A member of the Stanford Faculty since 1978. Professor Tobagi is also a cofounder of Starlight Networks, a venture concerned with multimedia networking and video servers, where he has been serving as chief technical officer since November 1991.

Research Interests: Broadband Integrated Services Digital Networks, High Speed ATM Networks (switching, routing, and congestion control), Multimedia Applications (on-line distance learning and desktop video conferencing), Multimedia Systems (video servers and storage systems for multimedia information, including disk arrays and tertiary mass storage systems), and Multimedia Networking, including network infrastructures (local and wide area networks), network protocols (multipoint session layer protocols, real-time multicase transport protocols, multicase and QoS routing protocols), and network management and control (resource allocation and reservation, admission control).

Professional Experience: Professor Tobagi has served as editor for the IEEE Transactions on Communications, as well as other journals. He was coeditor for a number of special issues of the IEEE Journal on Selected Areas in Communications and of the Proceedings of the IEEE; topics include Local Area Networks, Packet Radio Networks, and Large Scale ATM Switching Systems for B-ISDN. He is currently on the editorial board of the ACM Journal on Multimedia Systems, the Journal on Multimedia Tools and Applications, and the Journal on Wireless Networks. Since 1991, he has also been affiliated with Starlight Networks, Inc., a company concerned with multimedia networking and video servers, where he has been serving as Chief Technical Officer.

Honors: Professor Tobagi is a Fellow of the IEEE. He was the winner of the 1981 Leonard G. Abraham Prize Paper Award in the field of Communications Systems, and winner of the IEEE 1984 Communication Magazine Prize paper award.

Publications: Author of several book chapters and numerous papers; coeditor of Advances in Local Area Networks, a book published in the series "Frontiers in Communications" published by the IEEE Press.



Tariff Schedule Applicable to  
LOCAL EXCHANGE AND INTEREXCHANGE SERVICES  
of  
Computer Business Sciences, Inc.

Applying to Local Exchange and Interexchange Telecommunications Services Between Points in the State of Florida and Containing Rates, Rules and Regulations Governing Service.

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Issued: Aug. 14, 1998

Effective: Aug. 14, 1998

Issued by: Deborah Arnott, Compliance  
80-02 Kew Gardens Road  
Suite 5000  
Kew Gardens, NY 11415

Check Sheet

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

SHEET	REVISION	SHEET	REVISION
Title Sheet	Original	28	Original
1	Original	29	Original
2	Original	30	Original
3	Original	31	Original
4	Original	32	Original
5	Original	33	Original
6	Original	34	Original
7	Original	35	Original
8	Original	36	Original
9	Original	37	Original
10	Original	38	Original
11	Original	39	Original
12	Original	40	Original
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14	Original	42	Original
15	Original	43	Original
16	Original	44	Original
17	Original	45	Original
18	Original	46	Original
19	Original	47	Original
20	Original	48	Original
21	Original	49	Original
22	Original	50	Original
23	Original	51	Original
24	Original	52	Original
25	Original	53	Original
26	Original	54	Original
27	Original	55	Original

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Issued: Aug. 14, 1998

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Check Sheet (cont.)

SHEET NUMBER	REVISION	SHEET NUMBER	REVISION
56	Original	87	Original
57	Original	88	Original
58	Original	89	Original
59	Original	90	Original
60	Original	91	Original
61	Original	92	Original
62	Original	93	Original
63	Original	94	Original
64	Original	95	Original
65	Original	96	Original
66	Original	97	Original
67	Original	98	Original
68	Original	99	Original
69	Original	100	Original
70	Original	101	Original
71	Original	102	Original
72	Original	103	Original
73	Original	104	Original
74	Original	105	Original
75	Original	106	Original
76	Original	107	Original
77	Original	108	Original
78	Original	109	Original
79	Original		
80	Original		
81	Original		
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84	Original		
85	Original		
86	Original		

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Tariff Format

This tariff is divided into the following major sections:

General

Section 1: Rate Schedules

Section 2: Rules Section

Section 3: Promotions Section

Section 4: Individual Case Basis Arrangements.

**A. Sheet Numbering** - Sheet numbers appear in the upper right corner of the page. 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 page. These numbers are used to determine the most current sheet version on file with the Fla. PUC. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc., the Florida Public Service Commission ("FPSC") follows in its tariff approval process, the most current sheet number on file with the FPSC is not always the tariff page in effect. Consult the Check Sheet for the sheet currently in effect.

**C. Paragraph Numbering Sequence** - There are seven levels of paragraph coding. Each level of coding is subservient to its next higher level:

- 2.
- 2. (A).
- 2. (A). 1
- 2. (A). 1. (a).
- 2. (A). 1. (a). 1.
- 2. (A). 1. (a). I. (i).
- 2. 1. 1. A. 1. (a). I. (i).(1) .

**D. Check Sheets** - When a tariff filing is made with the 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 pages are added, the check sheet is changed to reflect the revision.

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### Preliminary Statement

This tariff sets forth the rates and rules of Computer Business Sciences, Inc. applicable to its provision of competitive local exchange and interexchange service within the State of Florida to carriers, enterprise customers, small and mid-size business as well as residential customers located in exchange areas served by Bell South.

The Company has been authorized by the FPSC to provide competitive local exchange and interexchange service.

The rates and rules contained herein are subject to change pursuant to the rules and regulations of the FPSC and its provision of interexchange services throughout the State of Florida.

### Application of Tariff

This tariff sets forth the service offerings, rates, terms, and conditions applicable to the furnishing of intrastate communications services by Computer Business Sciences, Inc. to carriers, enterprise customers, small and mid-size business as well as residential customers within the State of Florida.

This tariff applies only for the use of the Company's services for communications between points within the State of Florida; this includes the use of the Company's network to complete an end to end intrastate communication.

### Availability of the Company's Tariff

Complete copies of the Company's current tariff are maintained at the Company's business offices located at:

Computer Business Sciences, Inc.  
80-02 Kew Gardens Road  
Suite 5000  
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The tariff is also available for public inspection at the Florida Public Services Commission.

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**EXPLANATION OF SYMBOLS**

- (C) - To signify changed listing, rule, or condition which may affect rates or charges.
- (D) - To signify discontinued material, including listing, rate, rule or condition.
- (I) - To signify increase.
- (L) - To signify material relocated from or to another part of the tariff schedules with no change in text, rate, rule or condition.
- (N) - To signify new material including listing, rate, rule or condition.
- (R) - To signify reduction
- (T) - To signify a change in wording of text but not change in rate, rule or condition.

**EXCHANGE SERVICE AREA LIST**

## Exchange

904

352

813

941

407

561

954

305

850

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Section I RATE SCHEDULES  
Schedule 1: Service Charges

I. RATE SCHEDULES1. Service ChargesA. Service Order Charge

The Service Order Charge is a nonrecurring charge which applies to administrative processing of orders for the following: (a) the installation of a new service; (b) the transfer of an existing service to a different location; (c) a change from one class of service to another at the same or a different location; or (d) restoral of service after suspension or termination for nonpayment. The Company may from time to time waive or reduce the charge as part of a promotion. Promotions will be submitted to the FPSC for prior approval, as required.

Service Area	Bell South Exchanges
Per New Order	*\$40.00*
Per Change Order	*\$40.00*

B. Restoral Charge

A restoral charge applies each time a service is reconnected after suspension or termination for nonpayment but before cancellation of the service.

Service Area	Bell South Exchanges
Per Account	*\$10.00*

C. Moves, Adds and Changes

The Company alone may make changes in the location of its lines and equipment. When it is found that a move or change of such lines or equipment has been made by others, the Connection Charge for the underlying service will apply as if the work had been done by the Company.

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**Section 1 RATE SCHEDULES****Schedule 1: Service Charges**

The Customer will be assessed a charge for any move, add or change of a Company service. Move, Add and Change are defined as follows:

**Move:** The disconnection of existing equipment at one location and reconnection of the same equipment at a new location in the same building or in a different building on the same premises.

**Add:** The addition of a vertical service to existing equipment and/or service at one location.

**Change:** Change - including rearrangement or reclassification - of existing service at the same location.

Business Charge per Service Area:

Bell South Exchanges

Moves \*\$30.00\*

Adds \*\$30.00\*

Change \*\$30.00\*

D. Charges Associated With Premises Visit

Inside wire charges apply per service call when billable premises work is performed on noncomplex premises wire and jacks. Such charges are due and payable when billed.

Noncomplex wire, jacks and materials include:

2 to 6 pair inside wire

Faceplates

RJ11C, RJ14C, RJ11W and RJ14W type station jacks

Staples, screws, nail, tape, connectors, etc.

E. Trouble Isolation Charge

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Section 1 RATE SCHEDULES**Schedule 1: Service Charges**

When a visit to the Customer's premises is necessary to isolate a problem reported to the Company but identified by the Company's technician as attributable to customer-provided equipment or inside wire, a separate charge applies in addition to all other charges for the visit.

## Per Premises Visit:

## - Bell South Exchanges:

	1st 15 Minutes	Each Add'l 15 Minutes (or fraction)
Company Work Day	*\$35.00*	*\$12.00*
Non Company Work, except Sunday or Holiday	*\$40.00*	*\$14.00*
Sunday or Holiday	*\$45.00*	*\$16.00*

## F. Inside Wire Maintenance and Installation

The Customer may provide inside wiring for single-line station equipment or may elect to have the Company's technicians install or maintain inside wire.

## i. Inside Wire Installation Charge

Installation Charges apply when a Customer requests new noncomplex wire and jack installation or requests existing noncomplex wire and jack moves, changes, removals, rearrangements, replacements or pre-wiring.

Material is included in each time increment charge.

a. Inside Wire Installation Charge      Bell South  
Exchanges

Jack Installation Charge  
Per order, per premises

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Section 1 RATE SCHEDULES**Schedule 1: Service Charges**

- 1st Jack \*\$50.00\*
- Each Additional (prewired) \*\$25.00\*
- Each Additional (unwired) \*\$65.00\*

- b. Wire Installation Charge
  - Per wall, per wire pull \*\$80.00\*

## ii. Inside Wire Maintenance Charge

The Inside Wire Maintenance Charge applies when a Customer requests noncomplex wire and jack maintenance. Material is included in the charge.

## - In Bell South Exchanges

	1st 15 Minutes	Each Add'l 15 Min.
Per Premises Visit	*\$45.00*	*\$16.00*

The Customer will incur a charge each time there is a change in the long distance carrier associated with the Customer's line after the initial installation of service.

Bell South  
Exchanges  
Per line PIC Change: \*\$5.00\*

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**1.0 RATE SCHEDULES****Schedule 2: Business and Residential Exchange Services****2. Business and Residential Exchange Services**

Business and Residential Exchange Services provide a business or residential customer with a connection to the Company's switching network which enables the Customer to:

- A. receive calls from other stations on the public switched telephone network;
- B. access the Company's local calling service;
- C. access the Company's operators and business office for service related assistance; access toll-free telecommunications service such as 800 NPA; and access 911 service for emergency calling; and
- D. access the service of providers of Interexchange service. A Customer may presubscribe to such provider's service to originate calls on a direct dialed basis or to receive 800 service from such provider, or may access a provider on an ad hoc basis by dialing the provider's Carrier Identification Code (10XXX).

Business and Residential Exchange Services is provided via one or more channels terminated at the Customer's premises. Each Business and Residential Exchange Services channel corresponds to one or more digital, voice-grade telephonic communications channels that can be used to place or receive one call at a time.

Calls to points within the local exchange area are charged on the basis of the length of completed calls originating from the Customer's service in addition to a base monthly charge. Local calling areas are as specified Rule No. 1 of this tariff, including extended calling areas.

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**1.0 RATE SCHEDULES****Schedule 2: Business and Residential Exchange Services (Cont'd.)****E. Application of Rates**

- i. Business rates apply to service furnished:
  - a. In office buildings, stores, factories and all other places of a business nature;
  - b. In hotels, apartment houses, clubs and boarding and rooming houses except when service is within the Customer's domestic establishment and no business listings are provided; colleges, hospitals and other institutions; and in churches except when service is provided to an individual of the clergy for personal use only and business service is already established for the church at the same location;
  - c. At any location when the listing or public advertising indicates a business or a profession;
  - d. At any location where the service includes an extension which is at a location where business rates apply unless the extension is restricted to incoming calls;
  - e. At any location where the Customer resells or shares exchange service;
- ii. The use of business facilities and service is restricted to the Customer, Customers, agents and representatives of the Customer, and joint users.

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**1.0 RATE SCHEDULES****Schedule 2: Business and Residential Exchange Services (Cont'd.)****F. Business and Residential Exchange Services Options**

The following Business and Residential Exchange Services Options are offered:

**Basic Exchange Services**

Basic Line Service

Key Line Service

PBX Trunk Service

Digital Trunk Service

**Switched Access Services**

Local Switching

Local Transport

800/888 Database Access Service

500/900 Access Service

Signal Transfer Point Access

Number Portability

Local Interconnection Service

Our main focus, however, is providing bundled communications packages to our customers. We will provide xDSL broadband services, cable TV, international and domestic long distance as well as local dial tone and high speed Internet access. We offer many bundled packages on top of the network such as video conferencing, a video broadcast network, video on demand and computer and software support. Connection charges apply to all service on a one-time basis unless waived pursuant to this tariff.

Unless otherwise stated in this tariff, all Business and Residential Exchange Services include:

1. Service Order Charges (see Rate Schedule 1)
2. Nonrecurring Charges
3. Monthly Recurring Charges
4. Usage Charges

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**1.0 RATE SCHEDULES**
**Schedule 2: Business and Residential Exchange Services**

Optional rate elements may also apply as specified in this tariff.

**G. Services available to all Business and Residential Exchange Services Customers**

i. Local Exchange Dial Tone Flat Fee \$15 monthly

ii. **Bundled Services:**

Internet Access	Flat Rate \$20 monthly
High Speed Access	Flat Rate \$65 monthly
Cable	Flat Rate \$30 monthly

One time nonrecurring \$250

iii. **Authorization Codes**

	Bell South Exchanges
Recurring Charge	*\$0.00*
Nonrecurring Charge	not available

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**1.0 RATE SCHEDULES****Schedule 2: Business and Residential Exchange Services (Cont'd.)****H. Basic Business Line Service****i. General**

Basic Business Line Service provides a Customer with a one or more digital, voice-grade telephonic communications channel that can be used to place or receive one call at a time. Basic Business Lines are provided for connection of customer-provided single-line terminal equipment such as station sets or facsimile machines.

**ii. Recurring and Nonrecurring Charges**

	Bell South Exchanges
Nonrecurring Connection Charge:	*\$30.00*
Monthly Recurring Charges:	
- Each Base Service Line	*\$10.00*
Usage Charges	See 3 (A)

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**1.0 RATE SCHEDULES****Schedule 2: Business and Residential Exchange Services (Cont'd.)****I. Key Line Service****i. General**

Key Line Service provides a Customer with a one or more digital, voice-grade telephonic communications channel that can be used to place or receive one call at a time. Key Lines are provided for connection of customer-provided multi-line terminal equipment.

**ii. Recurring and Nonrecurring Charges**

Nonrecurring Connection Charge:	Bell South Exchanges *\$30.00*
Monthly Recurring Charges:	
- Each Key Base Service Line	*\$10.00*
Usage Charges	See 3 (A)

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**1.0 RATE SCHEDULES****Schedule 2: Business and Residential Exchange Services (Cont'd.)****J. Trunk Service****i. General**

Trunk Service is provided for connection of customer-provided PBX terminal equipment. Digital trunks are delivered on a DSO level and digital trunks are delivered at the DS1 level. All trunks are equipped with multiline hunting.

DID service allows callers to reach the called party without going through a PBX attendant. DOD service allows end users to dial outside of a PBX system without going through the PBX attendant to get access to an outside line.

For DID configured PBX trunks additional charges apply for Direct Inward Dial Station numbers.

**ii. Digital PBX Trunks**

Digital PBX Trunks provide the Customer with a single, digital, voice grade telephonic communications channel which can be used to place or receive one call at a time. Local calls on two-way trunks and DOD trunks are billed on a measured rate basis. DID trunks are arranged for one-way inward calling only.

	Bell South Exchanges
Nonrecurring Connection Charge:	*\$30.00*
Monthly Recurring Charges:	
- Each Trunk	*\$10.00*
Usage Charges	See 3 (A)

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1.0 RATE SCHEDULES

**Schedule 2: Business and Residential Exchange Services (Contd.)**

6. Trunk Service (Digital), (Cont'd.)

iii. Direct Inward Dial (DID) Service; DID Number Block

Not being offered.

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**1.0 RATE SCHEDULES****Schedule 2: Business Exchange Service (Cont'd.)****6. Trunk Service (Contd.)****iv. Switched DS1 Service - Digital PBX Trunks**

Digital PBX Trunk Service provide a Customer with connection to the Company switch via a DS1 digital fiber optic transmission facility operating at 1.544 Mbps and time division multiplexed into 24 digital voice grade telephonic communications channels. Digital PBX Trunks are provided for connection of customer-provided PBX equipment or trunk capable key systems to the Company switch.

Where appropriate facilities do not exist, Special Construction charges will also apply.

	Bell South Exchanges
Nonrecurring Connection Charge:	*\$875.00*
Monthly Recurring Charges:	
- Facility (24 Channels)	*\$420.00*
- Active DID Channels	*\$20.00*
- Active DOD/2-Way Channels	*\$20.00*
Usage Charges	See 3 (A) not available

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1.0 RATE SCHEDULES

Schedule 2: **Business and Residential Exchange Services (Cont'd.)**

K. Centrex Service

Not offering Centrex Service

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**1.0 RATE SCHEDULES**
**Schedule 3: Directory Services****3. Directory Services****A. Directory Assistance**

- i. A Customer may obtain assistance, for a charge, in determining a telephone number by dialing Directory Assistance Service.
- ii. Rates - A Directory Assistance Charge applies for each telephone number, area code, and/or general information requested from the Directory Assistance operator. No call allowance applies. A Call Completion charge applies for each request made to the Directory Assistance Operator in which the operator completes the call to the desired number.

	Bell South Exchanges
Per Request:	*\$0.60*
Call Completion, per call:	*\$0.60*

**B. Directory Listings**

A single main listing is provided free of charge for each customer of record. No charge applies to nonpublished service. Additional listings are billed as follows:

Per additional directory listings

	Bell South Exchanges
Nonrecurring Charge	*\$50.00*
Monthly Recurring Charge	*\$1.65*
Unpublished Listings (See Rule 31)	*\$0.30*

**C. Additional Directory Charge**

When a non-Customer requests copy of a directory, or when a Customer orders additional copies beyond the one free copy per account, the following charge applies.

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**1.0 RATE SCHEDULES**

**Schedule 3: Directory Services**

Per Copy (White and Yellow Pages) \*\$11.95\*

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**1.0 RATE SCHEDULES**
**Schedule 4: Operator Service****4. Operator Service****A. Operator Assistance****i. Description**

Local and long distance calls may be completed or billed with the live or mechanical assistance by the Company's operator center. Calls may be billed collect to the called party, to an authorized 3rd party number, to the originating line, or to a valid authorized calling card. Calls may be placed on a station to station basis or to a specified party (see Person to Person), or designated alternate. Usage charges for operator assisted calls are those usage charges that would normally apply to the calling party's service. In addition to usage charges, an operator assistance charge applies to each call:

**ii. Rate, per completed call**

	Bell South Exchanges
1. Person to Person (customer dialed)	*\$3.50*
2. Station to Station (customer dialed)	*\$1.50*
3. Billed to Non-Proprietary Calling Card (additional surcharge)	*\$0.50*
4. Operator Dialed Charge (applies in addition to other operator charges)	*\$0.60*

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 1.0 RATE SCHEDULES

## Schedule 4: Operator Service (cont'd.)

 B. Busy Line Verification and Line Interrupt Service

## i. General

Upon request of a calling party, the Company will verify a busy condition on a called line. An operator will determine if the line is clear or in use and report to the calling party. In addition, the operator will intercept an existing call on the called line if the calling party indicates an emergency and requests interruption.

 ii. Rate Application

- a. A Verification Charge will apply when (a) the operator verifies that the line is busy with a call in progress, or (b) the operator verifies that the line is available for incoming calls
- b. Both a Verification Charge and an Interrupt Charge will apply when the operator verifies that a called number is busy with a call in progress and the Customer requests interruption. The operator will interrupt the call advising the called party of the name of the calling party and the called party will determine whether to accept the interrupt call. Charges will apply whether or not the called party accepts the interruption.
- c. No charge will apply when the calling party advises that the call is from an official public emergency agency.

## iii. Rates

	Bell South Exchanges
1. Busy Line Verification (per request)	*\$2.00*
2. Busy Line Verification and Busy Line Interrupt (per request)	*\$3.00*

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**1.0 RATE SCHEDULES****Schedule 4: Operator Service (cont'd.)****C. Intercept Call Completion Service****i. General**

Where technically feasible, Intercept Call Completion (ICC) allows the caller to be automatically connected to a Customer's new telephone number after receiving the intercept message. This service is available to Customers that move with the Company's serving area.

**ii. Regulations**

- a. These regulations, rates and charges are in addition to the regulations, rates and charges found elsewhere in the Company's applicable tariffs.
- b. ICC is available where facilities are available and conditions permit.
- c. The minimum service period for ICC is three (3) months. The service may be extended for an additional period by notifying the Company at least five business days prior to expiration of the initial service period.
- d. With ICC, the caller incurs normal usage charges for the call from the point of origination to the intercepted number; the ICC subscriber incurs all applicable intraLATA toll charges between the intercepted number and the new number.
- e. Except with regard to the provision of ICC, the intercepted number is, in all respects, a disconnected service. Third number and collect calls cannot be billed to the intercepted number, and any Calling Card associated with the number is invalid.
- f. Charges will be credited for completion of calls to wrong number, incomplete connections or calls with unsatisfactory transmission.

**1.0 RATE SCHEDULES****Schedule 4: Operator Service (cont'd.)**

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**3. Intercept Call Completion Service (cont'd.)****iii. Rates**

The rates below are in addition to all rates and charges for service with which Intercept Call Completion may be furnished.

ICC charge, per month:

Business

Bell South Exchanges

\*\$10.00\*

A Service Order charge will apply if ICC is added after the move/disconnect order is written. If ICC is requested at the same time that the move/disconnect order is initiated, only the basic order charge associated with the move will apply.

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**1.0 RATE SCHEDULES****Schedule 5: Customized Number Service****5. Customized Number Service**

- A. Customized Number Service allows a Customer to order a specified telephone number rather than the next available number, subject to the availability of facilities and requested telephone numbers. The Company will not be responsible for the manner in which Customized Numbers are used for marketing purposes by the Customer.
- B. When a new Customer assumes an existing service which includes Customized Number Service, the new Customer may keep the Customized Number, at the tariffed rate, with the written consent of the Company and the former Customer.
- C. The Company reserves and retains the right 1) to reject any request for specialized telephone numbers and to refuse requests for specialized telephone numbers; 2) of custody and administration of all telephone numbers, and to prohibit the assignment of the use of a telephone number by or from any Customer to another, except as otherwise provided in this Tariff, 3) to assign or withdraw and reassign telephone numbers in any exchange area as it deems necessary or appropriate in the conduct of its business.
- D. Charges for Customized Number Service apply when a Customer:
- i. Requests a telephone number other than the next available number from the assignment control list, and such requested number is placed into service within six months of the date of the request.
  - ii. Requests a number change from the Customer's present number to a Customized Number.
    - a. The Company shall not be liable to any Customer for direct, indirect or consequential damages caused by a failure of service, change of number, or assignment of a requested number to another Customer whether prior to or after the establishment of service. In no case shall

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**1.0 RATE SCHEDULES****Schedule 5: Customized Number Service**

the Company be liable to any person, firm or corporation for an amount greater than such person, firm or corporation has actually paid to the Company for Customized Number Service.

**iii. Rates****- In Bell South Exchanges**

	Nonrecurring Charge	Monthly Charge
Business or residential customer: Per Customized Number	*\$30.00*	*\$2.00*

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**1.0 RATE SCHEDULES**

**Schedule 6: Blocking Service**

6. **Blocking Service**

Not Applicable.

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1.0 RATE SCHEDULES (Cont'd.)

**Schedule 7: Message Toll Service**

7. Message Toll Service

Not applicable

Dedicated Access Service

Not Applicable

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1.0 RATE SCHEDULES (Cont'd)

**Schedule 8: Remote Call Forwarding Service**

8. Remote Call Forwarding Service

Not Applicable

Recurring and Nonrecurring Charges

Not Applicable

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1.0 RATE SCHEDULES (Cont'd.)

**Schedule 9: Reserved for future use.**

9. Reserved For Future Use

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**2.0 RULES****II. RULES****1. Definitions**

**ACCESS CODE** - Denotes a uniform code assigned to the Company. The code has the form 10XXX or 10XXXXX for direct access; 950-OXXX or 950-1XXX for calling card access.

**ANSWER SUPERVISION** The transmission of the switch trunk equipment supervisory signal (off-hook or on-hook) to the Customer's point of termination as an indication that the called party has answered or disconnected.

**AUTHORIZED USER** - Any person or entity authorized by a Customer of the Company's service to utilize the service.

**CALL** - A Customer attempt for which the complete address code is provided to the service end office.

**CARRIER** - An entity which provides telecommunications services to the public for hire.

**CENTRAL OFFICE** - A local Company switching system where exchange service Customer station loops are terminated for purposes of interconnection to each other and to trunks.

**CHANNEL** - A communications path between two or more points of termination.

**COMMISSION** - The Florida Public Services Commission.

**COMMUNICATIONS SYSTEM** - Denotes channels and other facilities which are capable of communications between two or more locations or between two or more pieces of terminal equipment.

**COMPANY** - Computer Business Sciences, Inc.

**CLC** - Competitive Local Carrier. A common carrier that was issued a Certificate of Public Convenience and Necessity after July 24, 1995 to provide telecommunications service within a specific geographic area.

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**2.0 RULES**

**COMPUTER BUSINESS SCIENCES, INC.** - Used throughout this tariff to refer to Computer Business Sciences, Inc.

**CUSTOMER** - Any individual, partnership, association, corporation or other entity which subscribes to the services offered under this tariff.

**CUSTOMER DESIGNATED PREMISES** - The premises specified by the Customer for origination or termination of services.

**DATE OF PRESENTATION** - The postmark date on the billing envelope.

**DUAL TONE MULTIFREQUENCY (DTMF)** - Tone signaling, also known as touch tone signaling.

**END OFFICE SWITCH** - A Company switching system where exchange service Customer station loops are terminated for purposes of interconnection to each other and to trunks.

**END USER** - Any Customer of an intrastate telecommunications service that is not a Carrier or Common Carrier, except that a Carrier shall be deemed to be an End User when such Carrier uses a telecommunications service for administrative purposes.

**EXCHANGE** - A group of lines in a unit generally smaller than a LATA established by the Company for the administration of communications service in a specified area. An Exchange may consist of one or more central offices together with the associated facilities used in furnishing communications service within that area.

**EXCHANGE CARRIER** - A carrier which offers telecommunications services to the public within an exchange area.

**FACILITIES** - Denotes any cable, poles, conduit, carrier equipment, Wire center distribution frames, central office switching equipment, etc., utilized to provide the service offered under this tariff.

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**2.0 RULES**

**FIRM ORDER CONFIRMATION** - The date the Company confirms an order for service to be provided to the Customer.

**FPSC** - The Florida Public Services Commission.

**HOLIDAYS** - The Company observes the following Holidays: New Year's Day, Memorial Day, July 4, Thanksgiving, Christmas Day.

**INTEREXCHANGE CARRIER (IC)** - Any individual, partnership, association, corporation or other entity engaged in intrastate communication for hire by wire or radio between two, or more exchanges.

**INTERSTATE COMMUNICATIONS** - Any communications that crosses over a state boundary. Interstate Communications includes interstate and international communications.

**INTRASTATE COMMUNICATIONS** - Any communications which originates and terminates within the same state and is subject to oversight by a state regulatory commission (such as the FPSC) as provided by the laws of the state involved.

**JOINT USER** - An individual or entity authorized by the Company and the Customer to share in the use of a Customer's Business and Residential Exchange Services.

**LOCAL ACCESS AND TRANSPORT AREA (LATA)** - A geographic area established pursuant the Modification of Final Judgment entered by the United States District Court for the District of Columbia in Civil Action No. 82-0192; or any other geographic area designated as a LATA in the National Exchange Carrier Association, Inc. Tariff FCC No. 4.

**LOCAL CALLING AREA** - The Company's local calling areas for basic service rates mirror the local calling areas described in the dominant local exchange carrier's tariff for that region.

**MAJOR RATE INCREASE** - A rate increase which is greater than a Minor Rate Increase, as defined below.

**2.0 RULES**

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**MESSAGE** - A Message is a Call as defined above.

**MINOR RATE INCREASE** - A rate increase which is both less than 1% of the Company's total Florida intrastate revenues and less than 5 % of the affected service's rates. Increase shall be cumulative, such that if the sum of the proposed rate increase and rate increases that took effect during the preceding 12-month period for any service exceeds either parameter above, then the filing shall be treated as a Major Rate Increase.

**NONPUBLISHED SERVICE** - Service in which the Customer's name, address and telephone number are omitted from any telephone directory, street address directory, or in the directory assistance records available to the general public.

**OFF-HOOK** - The active condition of a telephone exchange line or dedicated access line.

**ON-HOOK** - The idle condition of a telephone exchange line or dedicated access line.

**PREMISES** - A building or buildings on contiguous property, not separated by a public highway or right-of-way.

**SERVING WIRE CENTER** - The wire center from which the Customer-designated premises normally obtains dial tone from the Company.

**SPECIAL ACCESS CIRCUIT** - The physical pathway for transmission of information between a dedicated originating point and a dedicated terminating point.

**TRANSMISSION PATH** - An electrical path capable of transmitting signals within the range of the service offering. A transmission path is comprised of physical or derived facilities consisting of any form or configuration of plant used in the telecommunications industry.

**TRUNK** - A communications path connecting two switching systems in a network, used in the establishment of an end-to-end connection.

**TRUNK GROUP** - A set of trunks which are traffic engineered as a unit for the establishment of connections between switching systems in which all of the communications paths are interchangeable.

## 2.0 RULES

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2. Description of Service

The Company undertakes to furnish business communications service pursuant to the terms of this tariff in connection with one-way and/or two-way information transmission between points within the State of Florida.

Customers and users may use service and facilities provided under this tariff to obtain access to services offered by other service providers. The Company is responsible under this tariff only for the services and facilities provided hereunder, and it assumes no responsibility for any service provided by any other entity that purchases access to the Company network in order to originate or terminate its own services, or to communicate with its own customers (e.g., NPA 900, NXX 976, etc.).

Service is offered for local and long distance calling to Customers pursuant to the terms of this tariff. Descriptions applicable to specific offerings are found in the Rate Schedules contained in Section 1 of this tariff. Rates vary based on whether the Customer is located in areas also served by Bell South.

Service is available 24 hours per day, seven days per week and is subject to the availability of necessary service, equipment and facilities and the economic feasibility of providing such necessary service, equipment and facilities.

Services are offered via the Company's facilities (whether owned, leased or under contract) in combination with resold services provided by other certificated carriers.

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**2.0 RULES, (Cont'd.)****3. Application for Service**

Service is installed by arrangement between Computer Business Sciences, Inc. and the Customer.

- A. A Customer desiring to obtain service may do so based on an oral or written agreement. In order to initiate service, the Customer must provide the following information: an address to which the Company shall mail or deliver all notices and other communications, except that the Customer may also designate a separate address to which the Company's bills for service shall be mailed.

The Company shall designate an address to which the Customer shall mail or deliver all notices and other communications, except that the Company may designate a separate address on each bill for service to which the Customer shall mail payment on that bill.

If the service agreement is made verbally, the Company will, within 10 days of initiating the service order, provide a confirmation letter setting forth a brief description of the services ordered and itemizing all charges which will appear on the Customer's bill. Within 10 days of initiating service, the Company shall state in writing for all new Customers all material terms and conditions that could affect what the Customer pays for telecommunications service provided by the Company.

Potential Customers who are denied service for failure to establish credit or pay the required deposit will be notified in writing by the Company of the reason for the denial within 10 days of the denial.

- B. **Cancellation of Application for Service:**

When a Customer cancels an application for service prior to the start of service or prior to any special construction, no charges will be imposed except for those specified below. The special charges described in this section will be calculated on a case by case basis.

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**2.0 RULES, (Cont'd.)****3 Application for Service, (cont'd.)****(B) Cancellation of Application for Service: (cont'd.)**

Where, prior to cancellation by the Customer, the Company incurs any expenses in installing the service or in preparing to install the service that it otherwise would not have incurred, a charge equal to the costs the Company incurred, less net salvage, shall apply, but in no case shall this charge exceed the sum of the charges for the minimum period of services orders, including installation charges, and all charges others levy against the Company that would have been chargeable to the Customer had service begun (all discounted to present value at six percent.)

Where the Company incurs any expense in connection with special construction, or where special arrangements of facilities or equipment have begun, before the Company receives a cancellation notice, a charge equal to the costs incurred, less net salvage, applies. In such cases, the charge will be based on such elements as the cost of the equipment, facilities, and material, the cost of installation, engineering, labor, and supervision, general and administrative expense, other disbursements, depreciation, maintenance, taxes, provision for return on investment, and any other costs associated with the special construction or arrangements.

**C. Cancellation of Service:**

The Customer may have service discontinued upon verbal or written notice to the Company. The Company shall hold the Customer responsible for payment of all bills for service furnished until the cancellation date specified by the Customer or until the date that the written cancellation notice is received, whichever is later. A termination liability charge applies to early cancellation of a term agreement.

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**2.0 RULES (Cont'd.)****4. Contracts**

Contracts will only be used in special circumstances for Individual Case Basis ("ICB") service offerings or Special Construction. The terms and conditions of each contract offering are subject to the agreement of both the Customer and Company. Such contract offerings will be made available to similarly situated Customers in substantially similar circumstances. Contracts are available to any similarly situated Customer. ICB arrangements will be filed in accordance with G.O. 96-A.

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**2.0 RULES. (Cont'd.)****5. Special Information Required On Forms****A. Customer Bills**

The Company's name shall be identified on each Customer bill. Each bill will prominently display a toll-free number for service or billing inquiries, together with an address where the Customer may write to the Company. If the Company uses a billing agent, the Company will also include the name of the billing agent it uses. Each bill for telephone service will contain notations concerning the following:

- i. When the bill shall be paid by the Customer to the Company;
- ii. Billing detail, including the period of service covered by the bill;
- iii. Late payment charges and when they will be applied;
- iv. How the Customer must pay the bill;
- v. How to contact the Company with questions about the bill; and
- vi. If the Customer's bill contains charges for interLATA and interstate toll calling billed by the Company on behalf of an interexchange carrier authorized to provide those services, then the bill will include a toll-free number for service or billing inquiries.

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## 2.0 RULES, (Cont'd.)

## 5 Special Information Required On Forms, (cont'd.)

## (A) Customer Bills, (cont'd.)

Each bill shall also include the following statement:

*"As bill is now due and payable, it becomes subject to a late payment charge if not paid within 30 calendar days of the invoice date. Should you have any questions regarding this bill, please request an explanation from Computer Business Sciences, Inc. If you believe you have been incorrectly billed you may file a complaint with the Florida Public Services Commission, Consumer Affairs Branch, Division of Communications, 2540 Shumard Oak Blvd., Gunter Building, Tallahassee, Florida 32399-0850. To avoid having service disconnected, payment of the disputed bill should be made "under protest" to the FPSC or payment arrangements should be made agreeable to the Company pending the outcome of the Commission's Consumer Affairs Branch review. The Consumer Affairs Branch shall review the basis of the billed amount, communicate the results of its review to the parties and inform you of your recourse to pursue the matter further with the Commission."*

## B Deposit Receipts

Each deposit receipt shall contain the following provisions:

*"This deposit, less the amount of any unpaid bills for service furnished by Computer Business Sciences, Inc., shall be refunded, together with any interest due, within 30 calendar days after the discontinuance of service, or after 12 months of service, whichever comes first. However, deposits may not receive interest if the Customer has received a minimum of two notices of discontinuance of service for nonpayment of bills in a 12-month period."*

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**2.0 RULES (Contd.)****6. Advance Payments, Deposits, and Guarantors****A. Advance Payments**

At the time an application for service is made, an applicant may be required to pay an amount equal to one month's service charges and/or the service connection and/or equipment charges which may be applicable as well as any nonrecurring charges for any required special construction. The amount of the first month's service is credited to the Customer's account on the first bill rendered.

**B. Deposits**

- i. **Requirement:** The Company may, at its sole discretion, require an applicant or an existing Customer to post a guarantee for the payment of charges as a condition to receiving service or additional services. The Company reserves the right to review an applicant's or a Customer's credit history at any time to determine if a deposit is required.
- ii. **Nondiscrimination:** Deposits will not be required by the Company based on race, sex, creed, national origin, marital status, age, number of dependents, condition of physical handicap, source of income, or geographical area of business.
- iii. **Amount:** The amount of the deposit shall not exceed twice the estimated average monthly bill for the class of service for which the deposit is to be applied. Interest on deposits will be set at the 3-month commercial paper rate published by the Federal Reserve Board, except no interest will be paid if the Customer has received a minimum of two discontinuance of service notices in a 12-month period. The fact that a deposit has been made neither relieves the Customer from complying with the Company's regulations on the prompt payment of bills on presentation nor constitutes a waiver or modification of the regulations of the Company providing for the discontinuance of service for nonpayment of any sums due the Company for services rendered.

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## 2.0 RULES, (Cont'd.)

6 Advance Payments, Deposits, and Guarantors, (Cont'd.)

## (B) Deposits, (cont'd.)

- iv. Refund upon Discontinuance: Upon discontinuance or termination of service, the Company will credit the deposit to the charges stated on the final bill. The balance, if any, will be returned to the Customer within 30 days of rendition of the final bill, and will include any interest on the deposit as set forth above.
- v. Refund after Satisfactory Payment: After prompt and timely payment of all charges for 12 consecutive billing periods, within 30 days, the Company will refund the deposit to the Customer. The refund will include interest at the rate set forth above. Payment of a charge is satisfactory if received prior to the date that the charge becomes delinquent provided that it is not returned for insufficient funds or closed account. However, deposits may not receive interest if the Customer has received a minimum of two notices of discontinuance of service for nonpayment of bills in a 12-month period.
- vi. Deposit Receipt: See Rule 5.
- vii. Deposits shall not be required if the applicant:
  - a. Provides a satisfactory credit history acceptable to the Company. Credit information contained in the applicant's account record may include, but shall not be limited to, account established date, "can-be-reached" number, name of employer, employer's address, Customer's driver's license number or other acceptable personal identification, billing name, and location of current and previous service. Credit cannot be denied for failure to provide social security number.

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**2.0 RULES, (Cont'd.)****6 Advance Payments, Deposits, and Guarantors (Cont'd.)****(B) Deposits, (cont'd.)****7. Deposits shall not be required if the applicant: (cont'd.)**

- b. A co-signer or guarantor may be used providing the co-signer or guarantor has acceptable credit history with the Company or another acceptable local exchange carrier.
- c. The Company cannot refuse a deposit to establish credit for service. However, it may request that the deposit be in cash or other acceptable form of payment (e.g., cashier's check, money order, bond, letter of credit, etc.).

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**2.0 RULES. (Cont'd.)****7. Notices and Communications**

- A. Notice by the Company: Unless otherwise provided by these Rules, any notice by the Company to the Customer or by the Customer's authorized representative will be given in writing either by facsimile to the Customer or to the Customer's authorized representative, or by written notice mailed to the Customer's or the authorized representative's last known address. The Company may provide verbal notice to a Customer or to an authorized representative thereof only in emergencies, where a delay may result in impaired service or a hazard to a Customer. All notices and other communications of either party, and all bills mailed by the Company, shall be presumed to have been delivered to the other party on the third business day following of the placement of the notice, communication or bill with the U.S. Mail or a private delivery service, prepaid and properly addressed, or when actually received or refused by the addressee, which ever occurs first.
- B. Notice by the Company Regarding Rate Information:
- i. Rate information and information regarding the terms and conditions of service will be provided in writing upon request by a current or potential Customer. Notice of major increases in rates will be provided in writing to the Customer and postmarked at least 30 days prior to the effective date of the change. No Customer notice (other than a tariff revision filed with the FPSC) shall be required for minor rate increase or rate decrease. Customers shall be advised of optional service plans in writing as they become available. In addition, Customers shall be advised of changes to the terms and conditions of service which may result in rate increases to some or all Customers or which result in reduced service or increased obligations for Customers. The Company shall provide this notice no later than the Company's next periodic billing cycle.

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2.0 RULES. (Cont'd.)7 Notices and Communications. (cont'd.)(B) Notice by the Company Regarding Rate Information: (cont'd.)

- ii. When the Company provides information to a consumer which is allegedly in violation of its tariffs, the consumer shall have the right to bring a complaint against the Company. If the Commission determines that the complaint is part of a pattern of misinformation or was an attempt to defraud the Customer, the Commission may impose appropriate sanctions.
- iii. The Company will notify Customers in writing of a change in ownership or identity of a Customer's service provider on the Customer's next monthly billing cycle.
- iv. Notices the Company sends to Customers, or to the FPSC, shall be a legible size and printed in a minimum point size of 10 and are deemed made on the date of presentation.

C. Notice by Customer: Unless otherwise provided by these Rules, any notice by the Customer or its authorized representative may be given verbally to the Company at the Company's business office (in person or telephonically) or by written notice mailed to the Company's business office. Cancellation of service by the Customer may be given verbally or by written notice to the Company at the Company's business office (in person or telephonically).

D. The Company or the Customer shall advise the other party of any changes to the addresses designated for notices, other communications' or billing, by following the notice set forth herein.

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**2.0 RULES. (Cont'd.)****7 Notices and Communications. (cont'd.)**

- E. The Company shall, upon request, provide any applicant for service or Customer the following information:
- i. The FPSC identification number of its registration to operate as a telecommunications corporation within Florida.
  - ii. The address and telephone number of the FPSC to verify its authority to operate.
  - iii. A copy of the FPSC's Consumer Protection Regulations.
  - iv. A toll-free number to call for service or billing inquiries, along with an address where the Customer may write to the Company.
  - v. A full disclosure of all fictitious names, (i.e., d/b/a names) of the Company.
  - vi. The names of billing agents, if any, the Company uses in place of performing the billing function itself.

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**2.0 RULES, (Cont'd.)****8. Rendering and Payment of Bills**

- A. Customer bills are issued monthly. The Customer will receive its bill on or about the same day of each month. Months are presumed to have 30 days. The billing date is dependent on the billing cycle assigned to the Customer. Each bill contains monthly recurring charges billed in advance, usage charges billed in arrears, and the last date for timely payment. The Company will prorate monthly recurring charges based on a 30 day month.
- B. Bills are due and payable as specified on the bill. Bills may be paid by mail or in person at the business office of the Company or an agency authorized to receive such payment. All charges for service are payable only in United States currency. Payment may be made by cash, check, money order, or cashier's check.
- C. Customer payments are considered prompt when received by the Company or its agent by the due date on the bill. The due date is 30 days after the bill is rendered and is designated by the due date on the Customer's bill to timely pay the charges stated. The Company will credit payments within 24 hours of receipt.

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## 2.0 RULES. (Cont'd.)

8 Rendering and Payment of Bills. (cont'd.)

- D. However, if a Customer's service has been discontinued within the past 12 months or if the Customer incurs usage charges during a billing period which are equal to a least 200% of the amount of the Customer deposit or guarantee, payment may be demanded for the usage charges by a telephone call to the Customer followed by written notification of such demand sent by first class mail. If the requested payment is not made within five days from the rendition of written notification or a mutually established late payment arrangement date or 30 days from the date of the bill, the usage charge will be deemed delinquent. Charges deemed delinquent may be subject to the lesser of either a late payment charge of 1-1/2% per month or portion thereof that the bill remains unpaid, or the maximum allowed by law. This amount will be assessed from the date payment was due.
- E. Bills that remain unpaid beyond the due date on the bill will incur a late payment charge of 1.5 % of the outstanding unpaid balance for each month or part of a month that the bill remains unpaid after the specified due date.

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2.0 RULES. (Cont'd.)

## 8 Rendering and Payment of Bills, (cont'd.)

- F. In addition to other sales and usage taxes, the Company will add to Customers bills certain federal, state and local surcharges. Such charges include, but are not limited to, the surcharges, taxes and fees set forth below:

Regulatory Assessment fee: \$ .0015 of total gross operating intrastate  
(Florida) revenues yearly

Gross receipts tax: 2.5% on gross receipts revenue

Sales tax: 7% on intra and interstate revenues

- G. See Rule 5 for other information to be included on the bill.

- H. A bill will not include any previously unbilled charge for service furnished prior to three months immediately preceding the date of the bill, with the following exceptions: collect calls, credit card calls, third party billed calls, "error file" (calls which cannot be billed due to the unavailability of complete billing information to the Company). An additional exception for backbilling is permitted for a period of one and one-half years in cases involving toll fraud.

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## 2.0 RULES, (Cont'd.)

9. Disputed Bill Procedure

In the case of a dispute between a Customer and the Company as to the correct amount of a bill rendered by the Company for service furnished to the Customer, which cannot be adjusted with mutual satisfaction, the Customer may make the following arrangements:

- A. The Customer may make a written request, and the Company shall comply with the request, for an investigation and review of the disputed amount.
- B. The undisputed portion of the bill and subsequent bills, other than the disputed amount, must be paid by the "Due by" date shown on the bill. If the undisputed portion of the bill and subsequent bills become delinquent as described in Rule No. 8, the service may be subject to disconnection if the Company has notified the Customer by written notice of such delinquency and impending termination.
- C. If there is still disagreement about the disputed amount after an investigation and review by a manager of the Company, the Customer may appeal to the Consumer Affairs Branch ("CAB") of the FPSC for an investigation and decision. To avoid disconnection of service, the Customer must submit the claim and, if the bill has not been paid, deposit the amount in dispute with CAB within 7 calendar days after the date on which the Company notifies the Customer that the investigation and review have been completed and that such deposit must be made or service will be disconnected. However, the service will not be disconnected prior to the Due By Date shown on the bill. The Company may not disconnect the Customer's service for nonpayment as long as the Customer complies with these conditions.
- D. The Company shall respond within 10 business days to requests for information issued by CAB. CAB will review the Customer's claim of the disputed amount, communicate the results of its review to the Customer and the Company, and disburse the monies deposited by the Customer.

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2.0 RULES, (Cont'd-)

9 Disputed Bill Procedure, (cont'd.)

E. The addresses of the FPSC are as follows:

Florida Public Services Commission  
Division of Communications  
Bureau of Service Evaluation  
2540 Shumard Oak Blvd.  
Gunter Building  
Tallahassee, FL 32399-0850  
(850) 413-6600

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## 2.0 RULES, (Cont'd.)

10. Discontinuance and Restoration of Service

## A. Discontinuance by Customer

- i. A Customer may have service discontinued upon oral or written notice to the Company on or before the date of disconnection. Customers remain responsible for payment of all bills for services furnished.
- ii. If a Customer cancels his or her order for service before the service begins, a charge equal to the greater of \$25.00 or the actual costs incurred by the Company in provisioning the service prior to the cancellation will be levied upon the Customer. However, no charge will be levied if a Customer cancels his or her service within three (3) days of the date the order was placed in writing or within three (3) days of the date of the Company's written confirmation (see Rule 3(a)). No cancellation charge applies to orders canceled due to delays in installation that are caused by the Company that are ten (10) days past the promised due date. The Customer will be informed of the cancellation charge at the time the order is placed.
- iii. No minimum or termination charge will apply if service is terminated because of condemnation, destruction, or damage to the property by fire or other causes beyond the control of the Customer.
- iv. Upon termination, presubscribed Customers may be held responsible for charges thereafter if the Customer has not selected an alternative local exchange carrier and service has not been transferred to the alternative carrier and such a Customer is continuing to receive service from the Company.

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## 2.0 RULES, (Cont'd.)

10 Discontinuance and Restoration of Service. (cont'd.)

- B. The Company may discontinue service under the following circumstances:
- i. Nonpayment of any sum due to the Company for service more than 30 days beyond the date of the invoice for such service. In the event the Company terminates service for nonpayment, the Customer may be liable for all reasonable court costs and attorneys fees as determined by FPSC or by the court.
  - ii. A violation of, or failure to comply with, any regulation governing the furnishing of service.
  - iii. An order from a court from another government authority having jurisdiction which prohibits the Company from furnishing service.
  - iv. Failure to post a required deposit or guarantee.
  - v. In the event that the Customer supplied false or inaccurate information of a material nature in order to obtain service.
  - vi. Any violation of the conditions governing the furnishing of service.
- C. Service may be refused or disconnected in the event of illegal use or of intent to defraud the Company. The Company may disconnect service for this reason after sending written notice certified mail to the Customer's last known address.
- D. Service will not be discontinued for nonpayment of Category III services, as defined by the Florida Public Services Commission.
- E. The Company will continue to provide Customers access to 911 emergency service should service be discontinued by the Company to said Customers until such time as the Customer has established service with another carrier. (Also known as "Warm Line.")

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## 2.0 RULE

F. Notice for Disconnection

- i. Written notice of the pending disconnection will be rendered not less than 7 days prior to the disconnection. Notice shall be deemed given upon deposit, first class postage prepaid, in the U.S. Mail to the Customer's last known address.
- ii. Service may be discontinued during business hours on or after the date specified in the notice of discontinuance. Service is not initially discontinued on any Saturday, Sunday, legal holiday, or any other day the Company service representatives are not available to serve Customers.

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## 2.0 RULES, (Cont'd.)

10 Discontinuance and Restoration of Service, (cont'd.)

## Notice for Disconnection

- iii. Written notice will state:
- a. the name and address of the Customer whose account is delinquent;
  - b. the reason for discontinuance;
  - c. the amount that is delinquent (if applicable);
  - d. the date when payment or arrangements for payment are required in order to avoid termination;
  - e. the procedure the Customer may use to initiate a complaint or to request an investigation concerning service or disputed charges as set forth in Rule 8;
  - f. the procedure the Customer may use to request amortization of the unpaid charges;
  - g. the telephone number of a the Company representative, who can provide additional information or institute arrangements for payment;
  - h. the telephone number of the FPSC Consumer Affairs Branch where the Customer may direct inquiries;
  - i. local service may not be discontinued for nonpayment of Category III or other unregulated competitive services.

## G. Restoration of Service

The Customer may restore service by full payment in any reasonable manner including by personal check. However, the Company may refuse to accept a personal check if a Customer's check for payment of service has been dishonored, excepting bank error, within the last twelve months. There is a \$35.00 charge for restoration of service after disconnection; if, however, the equipment necessary for service has been removed, a complete activation fee will apply.

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## 2.0 RULES. (Cont'd.)

11. Request for Old Bill

The Company will charge a processing fee to a Customer who requests a copy of a bill that has already been issued to such Customer, unless the Customer informs the Company within 15 days of the issuance of the bill that the original bill was not received. If a Customer or the Customer's representative thereafter requests additional copies of bills the following fees will apply:

Bills dated within 90 days prior to receipt of request	\$1.00 per bill, plus \$0.25 per telephone number on the bill in excess of 5 numbers
Bills dated more than 90 days but less than 12 months	\$5.00 per bill, plus \$0.25 per telephone number on the bill in excess of 5 numbers
Bills dated more than 12 months less than 48 months	\$20.00 per bill, plus \$0.25 per telephone number on the bill in excess of 5 numbers

The Company will not provide a second copy of a bill that is more than 48 months old.

The Company shall charge a processing fee to any party that subpoenas or otherwise lawfully seeks to compel the provision of a copy or copies of a bill(s) in connection with any lawful investigation or lawsuit. The processing fee for any requested bill(s) is \$1.00 per bill if the invoice date is less than ninety (90) days prior to the date of the request, \$5.00 per bill if the invoice date is more than ninety (90) days and less than twelve (12) months prior to the date of the request and \$20.00 per bill if the invoice date is more than twelve (12) months prior to the date of the request.

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## 2.0 RULES, (Cont'd.)

12. Temporary Service

From time to time, Computer Business Sciences, Inc. may agree to install temporary service for a Customer for demonstration purposes only. Such service will not be continued for more than 30 days. Calls placed by Customers on such temporary service will be subject to the rates and regulations provided in this tariff.

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2.0 RULES, (Cont'd.)13. Continuity of Service

## A. Allowances for Interruptions, in Service

Credit allowance for interruptions of service which are not due to the Company's testing or adjusting, to the negligence of the Customer, or to the failure of channels, equipment or communications system provided by Customer, are subject to the general liability provisions set forth in Rule 18, herein. It shall be the obligation of the Customer to notify the Company of any interruptions in service. Before giving such notice, Customer shall ascertain that the trouble is not being caused by any action or omission of Customer, not within his control, or is not in wiring or equipment connected to the terminal of Company.

## B. Credit for Interruptions

- i. A credit allowance will be made when an interruption occurs because of a failure of any component furnished by the Company under this tariff. An interruption period begins when the Customer reports a service, facility or circuit to be interrupted and releases it for testing and repair. An interruption period ends when the service, facility or circuit is operative. If the Customer reports a service, facility or circuit to be inoperative but declines to release it for testing and repair, it is considered to be impaired, but not interrupted.
- ii. For calculating credit allowances, every month is considered to have 30 days. A credit allowance is applied on a pro rata basis against the rates specified hereunder and is dependent upon the length of the interruption. Only those facilities on the interrupted portion of the circuit will receive a credit.

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## 2.0 RULES, (Cont'd.)

13 Continuity of Service, (cont'd.)

## (B) Credit for Interruptions

- C. A credit allowance will be given for interruptions of 30 minutes or more. Credit allowances shall be calculated as follows:

<u>Interruption of 24 hours or less:</u>	<u>Interruption Period to be Credited</u>
Less than 30 minutes	none
30 minutes up to, but not including 3 hours	1/10 day
3 hours up to, but not including 6 hours	1/5 day
6 hours up to, but not including 9 hours	2/5 day
9 hours up to, but not including 12 hours	3/5 day
12 hours up to, but not including 15 hours	4/5 day
15 hours up to, but not including 24 hours	One day

Two or more interruptions of 15 minutes or more during any one 24-hour period shall be considered as one interruption.

Interruption over 24 hours and less than 72 hours:

Interruptions over 24 hours and less than 72 hours will be credited 1/5 day for each 3-hour period or fraction thereof. No more than one full day's credit will be allowed for any 24 hour period.

Interruption over 72 hours:

Interruptions over 72 hours will be credited 2 days for each full 24 hour period. No more than 30 days credit will be allowed for any one month period.

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2.0 RULES, (Cont'd.)13 Continuity of Service, (cont'd.)

## D. Limitations on Allowances. No credit allowance will be made for:

- i. Interruptions due to the negligence of, or noncompliance with the provisions of this tariff by the Customer, authorized user, joint user, or other common carrier providing service connected to the service of the Company;
- ii. Interruptions due to the negligence of any person other than the Company, including but not limited to the Customer or other common carriers connected to the Company's facilities;
- iii. Interruptions due to the failure or malfunction of non-Company equipment;
- iv. Interruptions of service during a period in which the Company is not given full and free access to its facilities and equipment for the purpose of investigating and correcting interruptions;
- v. Interruptions of service during a period in which the Customer continues to use the service on an impaired basis;
- vi. Interruptions of service during any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements; or
- vii. Interruption of service due to circumstances or causes beyond the control of the Company.

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## 2.0 RULES. (Cont'd.)

13 Continuity of Service. (cont'd.)

## E. Temporary Suspension for Repairs

The Company shall have the right to make necessary repairs or changes in its facilities at any time and will have the right to suspend or interrupt service temporarily for the purpose of making the necessary repairs or changes in its system. When such suspension or interruption of service for any appreciable period is necessary, the Company will give the Customers who may be affected as reasonable notice thereof as circumstances will permit, and will prosecute the work with reasonable diligence, and if practicable at times that will cause the least inconvenience.

When the Company is repairing or changing its facilities, it shall take appropriate precautions to avoid unnecessary interruptions of conversations or Customers' service.

## F. The use and restoration of service in emergencies shall be in accordance with Part 64, Subpart D of the Federal Communications Commission's Rules and Regulations, which specifies the priority system for such activities.

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2.0 RULES. (Cont'd.)

14. Extensions

Extension line service is not offered by Computer Business Sciences, Inc.

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**2.0 RULES, (Contd.)****15. Service Connections and Facilities on Customers' Premises**

- A. Service furnished by Computer Business Sciences, Inc. may be interconnected with services or facilities of other authorized communications common carriers and with private systems, subject to the technical limitations established by the carrier.
- B. Interconnection with the facilities or services of other carriers shall be under the applicable terms and conditions of the other carrier's tariffs. Customer is responsible for taking all necessary legal steps for interconnecting his or her customer-provided terminal equipment or communications systems with carrier's facilities. Customer shall secure all license<sup>s</sup> permits, right-of-way, and other arrangements necessary for such interconnection.
- C. Company's facilities and service may be used with or terminated in Customer-provided terminal equipment or communications systems. Such terminal equipment shall be furnished and maintained at the expense of Customer, except as otherwise provided. Customer is responsible for all costs at his or her premises, including personnel, wiring, electrical power, and the like, incurred in the use of carrier's service. When such terminal equipment is used, the equipment shall comply with the generally accepted minimum protective criteria standards of the telecommunications industry.

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2.0 RULES, (Cont'd.)

16 Measurement of Service

Calls are charged via flat rates.

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**2.0 RULES. (Cont'd.)****17. Telephone Number Changes**

When a business or residential customer requests a telephone number change, the referral period for the disconnected number is 180 days.

The Company reserves all rights to the telephone numbers assigned to any Customer. The Customer may order a Customized Number where facilities permit for an additional charge.

When service in an existing location is continued for a new Customer, the existing telephone number may be retained by the new Customer only if the former Customer consents in writing, and if all charges against the account are paid or assumed by the new Customer.

The Customer has no property right in the assigned telephone number and none can be acquired by usage or otherwise. The Company reserves the right to assign, designate, or change such numbers when reasonably necessary in the conduct of its business. Telephone numbers of Customers who discontinue service may be reassigned 30 days from the date of discontinuance of service.

A Customer who wishes to retain his or her existing telephone number when that Customer changes his or her local service provider from the Company to the incumbent local exchange carrier or to a Competitive Local Carrier and chooses to disconnect the Company's service associated with the telephone number, may negotiate with the new carrier to obtain Number Call Forwarding.

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**2.0 RULES, (Cont'd.)****18. Limitation of Liability**

- A. The provisions of this section of this rule do not apply to errors and omissions caused by willful misconduct, fraudulent conduct or violations of laws by the Company.
- B. In the event an error or omission is caused by the gross negligence of the Company, the liability of the Company shall be limited to and in no event exceed the sum of \$10,000.
- C. Except as provided in Paragraphs (A) and (B) of this Rule, the liability of the Company for damages arising out of mistakes, omissions, interruptions, delays, errors or defects in any of the services or private line, alphabetical directory listings (excluding the use of bold type), and all other services shall in no event exceed an amount equal to the pro rata charges to the Customer for the periods during which the services or facilities area affected by the mistake, omission, interruption, delay, error or defect, provided, however, that where any mistake, omission, interruption, delay, error or defect of any one service or facility affects or diminishes the value of any other service, said liability shall include such diminution, but in no event shall exceed the total amount of the charges to the Customer for all services or facilities for the period affected by the mistake, omission, interruption, delay, error or defect.
- D. The Company shall not be liable for errors in transmitting, receiving or delivering oral messages by telephone over the lines of the Company and connecting utilities.

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## 2.0 RULES, (Cont'd.)

18 Limitation of Liability, (cont'd.)

## E. Directory Errors

- i. The Company shall allow for errors or omissions in alphabetical telephone directories (excluding the use of bold-face type) an amount within the following limits:
  - a. For listings in alphabetical telephone directories furnished without additional charge, an amount not in excess of the minimum monthly charge to the Customer for exchange service during the effective life of the directory in which the error or omission occurred.
  - b. For listings and lines of information in alphabetical telephone directories furnished at additional charge set forth in the Rate Schedules of this tariff, an amount not in excess of the charge for that listing or line of information during the effective life of the directory in which the error or omission occurred.
  - c. For listings in information records furnished without additional charge, an amount not in excess of the minimum monthly charge to the Customer for exchange service during the period the error or omission occurred.
  - d. For listings in information records furnished at additional charge, an amount no in excess of the charge for the listing during the period the error or omission continued.
  - e. For listings in telephone directories furnished in connection with mobile telephone service, an amount not in excess of the guarantee and fixed charges for the service during the effective life of the directory in which the error or omission occurred.

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2.0 RULES. (Cont'd.)19. Limitations of Service

- A. Service is offered subject to the availability of the necessary facilities and/or equipment and subject to the provisions of this tariff, except that the Company will serve all locations within 300 feet of its facilities, provided that the Company can obtain reasonable access to the Customer's demarcation point. Beyond the 300 feet service requirement, the Company may decline applications for service to or from a location where the necessary facilities or equipment are not available. The Company may discontinue furnishing service in accordance with the terms of this tariff.
- B. The Company reserves the right to discontinue or limit service when necessitated by conditions beyond its control (examples of these conditions are more fully set forth elsewhere in this tariff), or when service is used in violation of provisions of this tariff or the law.
- C. The Company does not undertake to transmit messages, but offers the use of its service when available, and, as more fully set forth elsewhere in this tariff, shall not be liable for errors in transmission or for failure to establish connections.
- D. The Company reserves the right to discontinue service, limit service, or to impose requirements as required to meet changing regulatory or statutory rules and standards.
- E. The Company reserves the right to refuse an application for service made by a present or former Customer who is indebted to the Company for service previously rendered pursuant to this Tariff until the indebtedness is satisfied.

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2.0 RULES, (Contd.)20. Use of Service

- A. Service may be used by the Customer for any lawful purpose for which the service is technically suited.
- B. The Customer obtains no property right or interest in the use of any specific type of facility, service, equipment, number, process, or code. All right, title and interest to such items remain, at all times, solely with the Company.
- C. Recording of telephone conversations of service provided by the Company under this tariff is prohibited except as authorized by applicable federal, state and local laws.
- D. Any service provided under this Tariff may be resold to or shared (jointly used) with other persons at the Customer's option. Service may only be resold or shared in accordance with the provisions of the specific service. Specifically, residential service may only be used, resold or shared for noncommercial purposes. The Customer remains solely responsible for all use of service ordered by it or billed to its telephone number(s) pursuant to this Tariff, for determining who is authorized to use its service, and for promptly notifying the Company of any unauthorized use. The Customer may advise its Customers that a portion of its service is provided by the Company, but the Customer shall not represent that the Company jointly participates with the Customer in the provision of the service.
- E. Any individual or company who uses or receives service from the Company, other than the provisions of an accepted application for service and a current Customer relationship, shall be liable for the tariffed cost of the services received and may be liable for reasonable court costs and attorney fees as determined by the FPSC or the court.

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2.0 RULES. (Contd.)20 Use of Service. (Cont'd.)

## F. Use and Ownership of Equipment

The Company's equipment, apparatus, channels and lines shall be carefully used. Equipment furnished by the Company shall remain its property and shall be returned to the Company whenever requested, within a reasonable period following the request, in good condition (subject to reasonable wear and tear). The Customer is required to reimburse the Company for any loss of, or damage to, the facilities or equipment on the Customer's premises, including loss or damage caused by agents, employees or independent contractors of the Customer through any negligence.

## G. Unauthorized Use

- i. Service shall not be used to make unlawful expressions, to impersonate another person with fraudulent or malicious intent, or to call another so frequently or at such times of day or in any other manner so as to annoy, abuse, threaten, or harass.
- ii. Service shall not be used for any purpose in violation of law.
- iii. Service shall not be used in such a manner as to interfere unreasonably with the use of the service by one or more other Customers, or interfere with the Company's reasonable ability to provide the service to others.

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2.0 RULES, (Cont'd.)21. Responsibilities of the Customer

- A. The Customer is responsible for: 1) placing any necessary orders; 2) complying with tariff regulations; 3) for assuring that users comply with tariff regulations; 4) payment of charges for calls originated from the Customer's telephone lines.
- B. The Customer is responsible for arranging access to its premises at times mutually agreeable to Company and the Customer when required for installation, repair, maintenance, inspection or removal of equipment associated with the provision of Company services.
- C. The Customer is responsible for maintaining its terminal equipment and facilities in good operating condition. The Customer is liable for any loss, including loss through theft, of any Company equipment installed at Customer's premises.
- D. The Customer shall be responsible for all calls placed by or through Customer's equipment by any person. In particular and without limitation to the foregoing, the Customer is responsible for any calls placed by or through the Customer's equipment via any remote access features. The Customer is responsible for all calls placed via their authorization code as a result of the Customer's intentional or negligent disclosure of the authorization code.

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## 2.0 RULES. (Cont'd.)

21 Responsibilities of the Customer. (cont'd.)

- E. The Customer and any authorized or joint users, jointly and serially, shall indemnify and hold the Company harmless from claims, loss, damage, expense (including reasonable court costs and attorneys' fees as determined by the FPSC or the court), or liability for patent infringement arising from (1) combining with, or using in connection with facilities the Company furnished, facilities the Customer, authorized user, or joint user furnished or (2) use of facilities the Company furnished in a manner the Company did not contemplate and over which the Company exercises no control and from all other claims, loss, damage, expense (including the reasonable court costs and attorneys' fees as determined by the FPSC or the court), or liability arising out of any commission or omission by the Customer, authorized user, or joint user in connection with the service. In the event that any such infringing use is enjoined, the Customer, authorized user, or joint user, at its option and expense, shall obtain immediately a dismissal or stay of such injunction, obtain a license or other agreement so as to extinguish the claim of infringement, terminate the claimed infringing use, or modify such combination so as to avoid any such infringement.

In addition and without limitation, the Customer, authorized user, or joint user shall defend, on behalf of the Company and upon request by the Company, any suit brought or claim asserted against the Company for any such claims, including but not limited to slander, libel, or infringement.

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## 2.0 RULES, (Cont'd.)

22. Special Construction

## A. Basis for Charges

Special Construction Charges apply where the Company furnishes a facility or service for which a rate or charge is not specified in the Company's tariffs, charges will be based on the costs incurred by the Company (including return) and may include:

- a) nonrecurring charges;
- b) recurring charges;
- c) termination liabilities; or
- d) combinations of (a), (b), and (c).

## B. To the extent that there is no other requirement for use by the Company, a termination liability may apply for facilities specially constructed at the request of a Customer.

- i. The period on which the termination liability is based is the estimated service life of the facilities provided.
- ii. The amount of the maximum termination liability is equal to the estimated amounts (including return) for:
  - a. Costs to install the facilities to be provided including estimated costs for the rearrangements of existing facilities. These costs include:
    - (I) equipment and materials provided or used;
    - (II) engineering, labor, and supervision;
    - (III) transportation; and rights of way and/or any required easements;
  - b. license preparation, processing, and related fees;
  - c. tariff preparation, processing and related fees;
  - d. cost of removal and restoration, where appropriate; and

## 2.0 RULES

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- e. any other identifiable costs related to the specially constructed or rearranged facilities.
- 
- iii. The termination liability method for calculating the unpaid balance of a term obligation is obtained by multiplying the sum of the amounts determined as set forth in the preceding section by a factor related to the unexpired period of liability and the discount rate for return and contingencies. The amount determined in the preceding section shall be adjusted to reflect the redetermined estimated net salvage, including any reuse of the facilities provided. This amount shall be adjusted to reflect applicable taxes.

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**2.0 RULES. (Cont'd.)****23. Non-routine Installation and/or Maintenance**

At the Customer's request, installation and/or maintenance may be performed outside the Company's regular business hours, or (in the Company's sole discretion and subject to any conditions it may impose) in hazardous locations. In such cases, charges based on the cost of labor, material, and other costs incurred by or charged to the Company will apply. If installation is started during regular business hours but, at the Customer's request, extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply.

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**2.0 RULES. (Cont'd.)****24. Individual Case Basis (ICB) Arrangements**

Rates for ICB arrangements will be developed on a case-by-case basis in response to a bona fide request from a Customer or prospective Customer for service which vary from tariffed arrangements. Rates quoted in response to such requests may be different for tariffed service than those specified for such service in the Rate Attachment. ICB rates will be offered to Customers in writing and will be made available to similarly situated Customers. ICB arrangements will be filed pursuant to FPSC rules.

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## 2.0 RULES, (Cont'd.)

25. Services for the Deaf and Disabled

Offered through Interconnection with RBOC, or see below

The Company may contract with an outside provider for the provision of Relay Service and equipment for the Deaf and Disabled Equipment Program. The outside provider(s) would have complete control over the provision of these services except for the facilities provided directly by the Company. In addition to other provisions of this Tariff dealing with liability, in the absence of gross negligence or willful misconduct on the part of the Company, the Company shall not be liable for and the Customer, by using the service, agrees to release, defend and hold harmless for all damages, whether direct, incidental or consequential, whether suffered, made, instituted or asserted by the Customer or by any other person, for any loss or destruction of any property, whatsoever whether covered by the Customer or others, or for any personal injury to or death of, any person. Notwithstanding any provision to the contrary, in no event shall the Company be liable for any special, incidental, consequential, exemplary or punitive damages of any nature whatsoever.

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**2.0 RULES. (Cont'd.)****26. Emergency Telephone Number Service (911 Service)**

Emergency Telephone Number Service (911 Service) is an arrangement of Company central office and trunking facilities whereby any telephone user who dials the number 911 will reach the emergency report center for the telephone from which the number is dialed or will be routed to an operator if all lines to an emergency report center are busy. If no emergency report center exists for a central office entity, a telephone user who dials the number 911 will be routed to an operator. The telephone user who dials the 911 number will not be charged for the call.

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2.0 RULES. (Cont'd.)

27. [Reserved for future use]

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2.0 RULES, (Cont'd.)

28. Change of Service Providers

A. Solicitation of Customer Authorization for Service Termination and Transfer

Solicitations by the Company, or its agents, for Customer authorization for termination of service with an existing carrier and the subsequent transfer to the Company must include current rate information on the Company and information regarding the terms and conditions of service with the Company.

B. Unauthorized Service Termination and Transfer

The Company shall restore the Customer's service to the original carrier without charge to the Customer where that service has been changed on an unauthorized basis. All Company billings during the unauthorized service period shall be refunded to the Customer. If the Company is found responsible for the unauthorized transfer it will reimburse the original carrier for reestablishing service at the tariff rate of the original carrier.

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**2.0 RULES, (Cont'd.)****29. Privacy****A. General**

The Company shall not make available to any other person or Corporation Customer information that is not public without first obtaining the Customer's consent. The Company will provide each new Customer, and on an annual basis for existing Customers, a description of how the Company handles the Customer's private information and a disclosure of ways in which such information might be used or transferred that would not be obvious to the Customer.

As set forth below, the Company may be required to release nonpublic Customer information without first notifying the Customer and obtaining written consent. For example, the Company will provide required Customer information to an emergency agency answering a 911 call or other call communicating an imminent threat to life or property; to law enforcement agencies in response to lawful process; to collection agencies for the purpose of collecting unpaid debts; to other telephone companies (including local and long distance carriers) as necessary to provide service within or between service areas; and to the Federal Communications Commission or the FPSC. The Company may be required to provide the names and addresses of Customers subscribing to Lifeline service to other certificated Florida utilities for use in outreach programs.

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## 2.0 RULES. (Cont'd.)

29 Privacy. (cont'd.)B. Release of Credit Information and Calling Records:

## i. Definitions

- a. **Credit Information** - A Customer's credit information is the information contained in the Customer's utility account record, including but not limited to: account established date, "can-be-reached" number, name of employer, employer's address, customer's social security and/or driver's license number, billing name, location of previous service. Not included in customer credit information for purposes of these rules are: non-published Customer information, or Customer's name, address, and telephone number as listed in the telephone directory.
- b. **Calling Records** - Calling Records are the records of calls made from a Customer's telephone no matter how recorded and regardless of whether such information appears in the Customer's monthly telephone service bill. Toll records, the name and address of the called party, and when registered are examples of calling records.

## ii. Release of Customer Credit Information and Calling Records

A Customer's credit information and/or calling records shall be released by a telephone utility only under the following circumstances:

- a. Upon receipt of a search warrant obtained pursuant to Florida or federal law, or of a Federal Grand Jury Subpoena or a Federal Agency Subpoena; or

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2.0 RULES, (Cont'd.)29 Privacy, (cont'd.)

## 2. Release of Customer Credit Information and Calling Records, (cont'd.)

- b. Upon making return to a subpoena or subpoena deices tecum, when it reasonably appears to the telephone utility that the procedures set out in Code of Civil Procedures, or successor provisions, as they exist, have been followed. The utility shall abide by all orders to quash, protective orders, and similar court orders which may be issued with regard to the subpoenaed credit information and calling records.
- c. Upon receiving permission of the Customer to release the information.

## iii. Deferral of Notice

- a. Notification to the Customer will be deferred, and no disclosure made for a period of 90 days, if there is a certification for nondisclosure in the body of a subpoena or search warrant. The certification for nondisclosure must contain a statement that there is sufficient reason to believe that such notification would impede the investigation in which the request is made, upon making return to the court to a subpoena, the telephone utility shall request instruction from the court whether it should notify the Customer of its receipt of the subpoena before divulging the information or records requested.
- b. The 90-day period can be extended for successive 90-day periods upon a new written certification in each instance that there is probable cause to believe notification to the customer would impede the investigation of an offense pursuant to which the subpoena or warrant was issued.

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2.0 RULES, (Cont'd.)29 Privacy, (cont'd.)

## 3. Deferral of Notice, (cont'd.)

- c. Successive new written certifications shall be made by the individual who procured the issuance of the subpoena or warrant or, if that person is unavailable, by another member of the authorized agency who also certifies that he or she has been assigned to handle the matter for which the credit information or calling records has been obtained.
- d. Within five working days of the expiration of any outstanding certification, or any renewal of such certification, the deferred notification shall be given in writing to the Customer.

## iv. Exception to Procedure for Release of Credit or Calling Records

The procedure set forth above does not apply where the requester is a collection agency working for the utility on the Customer's account or is an independent telephone company, other common carrier/interexchange carrier, Bell Operating Company, or Bell Company.

## v. Retention of Records

Records of requests for credit information and calling records, other than from a utility's employees, shall be retained for a period of at least one year from the date on which the Customer is notified in writing of the request. A copy of the letter of notification which was sent to the Customer shall also be retained for a like period of one year.

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**2.0 RULES. (Cont'd.)****30. Directories**

The Company will make one printed directory available to each Customer at no charge. Such directories may be supplied by the incumbent local exchange carrier or other third party. Additional directories will be provided at charges specified in Rate Schedule 3 of this tariff.

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## 2.0 RULES. (Cont'd.)

31. Non-published Service

Upon a Customer's request, the Company will omit a Customer name, address and telephone number from any-telephone directory, street address directory, or in the directory assistance records' available to the general public. The applicable monthly charge applies as indicated in Rate Schedule 3 of this tariff. This information, as well as call-forwarding information from such unlisted telephone number, shall be released by the Company in response to legal process as set forth below.

A. Agencies Authorized to Receive Nonpublished Information

Any Florida public agency which employs persons who are peace officers and all subsections thereof.

An agency of the federal government which is lawfully authorized to:

Conduct investigations or make arrests for violations of the criminal laws of the United States; or,

Prosecute violations of the criminal laws of the United States; or,

Enforce civil sanctions which are ancillary to criminal statutes; or,

Conduct investigations into matters involving the national security of the United States; or,

Protect federal or foreign officials; or, Protect public health and safety; or,

Conduct emergency rescue operations.

Any public health agency of the State of Florida or of a city, county, or other local government.

County or City 911 projects.

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## 2.0 RULES, (Cont'd.)

31 Non-published Service, (cont'd.)

## 1. Agencies Authorized to Receive Nonpublished Information, (cont'd.)

State Fire Marshall and Local Fire Departments or Fire Protection Agencies. Collection agencies, to the extent disclosures made by the agency are supervised by the Commission, exclusively for the collection of debts. Florida Public Services Commission pursuant to its jurisdiction and control over telephone and telegraph corporations.

## B. Procedure for Release of Nonpublished Information to Authorized Agencies

A telephone company shall only provide nonpublished information to persons within agencies who are either:

Peace officers who are lawfully engaged in a criminal investigation in their official capacity; or,

Health officers who are acting in their official capacity and are lawfully investigating a matter involving a service communicable disease or life threatening situation; or,

Employees of an authorized federal agency acting in an official capacity pursuant to a responsibility enumerated in the preceding; or,

Employees of a county or city 911 project when acting in an official capacity; or,

Employees of an agency listing in the preceding when engaged in an investigation involving arson or when engaged in fire fighting duties in which there is immediate peril to life or property.

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2.0 RULES. (Cont'd.)31 Non-published Service (cont'd.)

## 2. Procedure for Release of Nonpublished Information to Authorized Agencies, (cont'd.)

Nonpublished information shall be released by a telephone company to an authorized agency upon the agency's written request provided that the agency has previously furnished the company with a statement, signed by the head of the agency, requesting that nonpublished information be provided to the agency upon its written request, and listing designated persons, by name and title, who are authorized to request, in writing, nonpublished information. The written request for the nonpublished information must be signed by the head of the agency or by a previously designated person and the request must state that the nonpublished information is necessary for a lawful investigation being conducted by the agency pursuant to its responsibilities.

Nonpublished information shall also be released by a telephone company to an authorized agency upon the agency's telephonic request, provided the agency has previously furnished the utility with a statement. It must be signed by the head of the agency, requesting that nonpublished information be provided to the agency upon telephonic request, and listing designated persons, by name, title and telephone number, who are authorized to request, by telephone, nonpublished information. The telephonic request for nonpublished information must be made by the head of the agency or by one of the previously designated persons.

The nonpublished information requested by telephone shall be provided by the company only on a call back verification basis.

The requesting agency shall, within five working days after making the telephonic request, mail the Company a letter confirming the request.

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## 2.0 RULES, (Cont'd.)

31 Non-published Service, (cont'd.)

## C. Notification to Customer

The telephone company shall not notify the Customer regarding the release of the Customer's nonpublished information unless the Customer contacts the Company and specifically requests to know whether their nonpublished information has been released.

When a Customer inquires of the Company whether their nonpublished information has been released, the Customer shall be informed that if information has been released they will be notified by mail about what information was released and which agency requested the information. If there was no release of nonpublished information, the Customer will receive no communication from the Company.

If the requesting agency certifies that disclosure to a Customer about the release of his or her nonpublished information to that agency could impede an ongoing criminal investigation, the telephone company shall withhold notice to the Customer for a period of one year from the date of release of the information to the agency.

The one year period of nondisclosure shall be extended for successive one year periods upon new written certification by the agency in each instance.

If no request has been made for nondisclosure to the Customer, the Customer who inquires shall be notified in writing as to the identity of the agency which requested the nonpublished information and the information released.

If there has been no request for nondisclosure within 25 working days after the expiration of any outstanding certification for nondisclosure, or any renewal of such certification, a Customer who has previously inquired, at any time during the period of nondisclosure, whether their nonpublished information was released, shall automatically be notified in writing by the Company that such information was released and which agency received the information.

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**2.0 RULES****D. Exception for Health-Officers**

No notification shall ever be made to a Customer that nonpublished information was released to an authorized public health agency provided the chief health officer or designated health officer from the agency certifies that disclosure to the Customer could violate a client's or contact's right of privacy and confidentiality.

**E. Release of Information to Interexchange carriers**

The Company will provide nonpublished information to an Interexchange Carrier who needs the information for allocation, billing or service purposes.

**F. Retention of Records**

All written documents pertaining to nonpublished service shall be retained by telephone companies for at least one year. When an agency requests that notice to the Customer be withheld, the telephone company shall retain the records involved for a period of not less than one year from the date on which the period of nondisclosure expires.

**G. Unsolicited Telephone Efforts**

The Company will not contact nonpublished residence Customers by telephone on an unlisted number(s) for unsolicited efforts.

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## 2.0 RULES. (Cont'd.)

32. Legal Requirements for Refusal or Discontinuance of Service

Florida Public Services Commission's Decision No. 91188 in Case No. 4930 requires that each communications utility operating under the jurisdiction of the FPSC include the provisions of the rule set forth in Appendix B of that Decision as a part of the rules in the utility's tariff schedules. Accordingly, Appendix B of Decision No. 91188, Case No. 4930, is quoted herein:

"Appendix B"

1. Any communications utility operating under the jurisdiction of this Commission shall refuse service to a new applicant and shall disconnect existing service to a Customer upon receipt from any authorized official of a law enforcement agency of a writing, signed by a magistrate, finding that probable cause exists to believe that the use made or to be made of the service is prohibited by law, or that the service is being or is to be used as an instrumentality, directly or indirectly, to violate or to assist in the violation of the law. Included in the magistrate's writing shall be a finding that there is probable cause to believe not only that the subject telephone facilities have been or are to be used in the commission or facilitation of illegal acts, but that the character of such acts is such that, absent immediate and summary action in the premises, significant dangers to public health, safety, or welfare will result.
2. Any person aggrieved by any action taken or threatened to be taken pursuant to this rule shall have the right to file a complaint with the Commission and may include therein a request of interim relief. The Commission shall schedule a public hearing on the complaint to be held within 20 calendar days of the filing of the complaint. The remedy provided by this rule shall be exclusive. No other action at law or in equity shall accrue against any communications utility because of, or as a result of, any matter or thing done or threatened to be done pursuant to the provisions of this rule.
3. If communications facilities have been physically disconnected by law enforcement officials at the premises where located, without central office disconnection, and if there is not presented to the utility the written finding of a magistrate, as specified in paragraph 1 of this rule, then upon written request of the subscriber, the utility shall promptly restore such service.

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## 2.0 RULES. (Cont'd.)

32 Legal Requirements for Refusal or Discontinuance of Service. (cont'd.)

4. Any concerned law enforcement agency shall have the right to Commission notice of any hearing held by the Commission pursuant to paragraph 2 of this rule, and shall have the right to participate therein, including the right to present evidence and argument and to present and cross-examine witnesses. Such law enforcement agency shall be entitled to receive copies of all notices and orders issued in such proceeding and shall have both (1) the burden of proving that the use made or to be made of the service is prohibited by law, or that the service is being or is to be used as an instrumentality, directly or indirectly, to violate or to assist in the violation of the law and that the character of such acts is such that, absent immediate and summary action in the premises, significant dangers to public health, safety, or welfare will result, and (2) the burden of persuading the Commission that the service should be refused or should not be restored.

5. The utility, immediately upon refusal or disconnection of service in accordance with paragraph 1 of this rule, shall notify the applicant or subscriber in writing that such refusal or disconnection has been made pursuant to a request by a law enforcement agency, naming the agency, and shall include with said notice a copy of this rule together with a statement that the applicant or subscriber may request information and assistance from the Commission at its Miami or Ft. Lauderdale office concerning any provision of this rule.

6. At the expiration of 15 days after refusal or disconnection of service pursuant to paragraph 1 of this rule, the utility, upon written request of the applicant or subscriber, shall provide or restore such service unless the law enforcement agency concerned shall have notified the utility in writing of its objection to such provision or restoration of service, in which event service may be provided or restored only in a complaint proceeding pursuant to paragraph 2 of this rule. At the time of giving any such notice of objection, the law enforcement agency shall mail or deliver a copy thereof to the applicant or subscriber. Nothing in this paragraph shall be construed to preclude the granting of interim relief in a proceeding initiated pursuant to paragraph 2 of this rule.

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**2.0 RULES, (Cont'd.)****32 Legal Requirements for Refusal or Discontinuance of Service. (cont'd.)**

7. Each contract for communications service, by operation of law, shall be deemed to contain the provisions of this rule. Such provisions shall be deemed to be a part of any application for communications service. Applicants for service shall be deemed to have consented to the provisions of this rule as a consideration for the furnishing of such service.

8. The term "person," as used herein, includes a subscriber to communications service, an applicant for such service, a corporation, a company, a co-partnership, an association, a political subdivision, a public officer, a governmental agency, and an individual.

9. The term "communications utility," as used herein, includes a "telephone corporation" and a "telegraph corporation."

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## 2.0 RULES. (Cont'd.)

33. Blocking Access to 900 and 976 Information Services

At the request of the Customer, the Company will block Customer's access - to 900 and 976 pay-per-call telephone information services at no charge on a per-line basis. The Company will inform the Customer of the availability of blocking service at the time service is initially ordered.

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## 2.0 RULES. (Cont'd.)

34. Demarcation Points

## A. Responsibilities

The Company will provide facilities, equipment, and services to its local loop demarcation point. The Company is responsible for the provisioning and maintenance of its facilities, equipment, and services to the local loop demarcation point, including those located at that point.

The Customer is responsible for the completion of services beyond the Company's local loop demarcation point.

Customer requested services beyond the local loop demarcation point may be provided by the Company at the Customer's expense.

## B. Local Loop Demarcation Point

- i. The Company's Local Loop Demarcation Point separates the Company's network responsibility for its facilities, equipment and services from that of the building owner or end-user Customer. This demarcation point designates the end of the Company's network facilities (local loop) and the beginning of the intrabuilding network cable (INC), if any, provided by the building owner.

Where a Local Loop Demarcation Point lacks sufficient power and/or space to support provisioning of new service, such service will be provisioned as close as practicable to the existing demarcation point.

- ii. The Local Loop Demarcation Point may also be referred to as the Minimum Point of Entry (MPOE) or Minimum Point of Presence (MPOP) for the purpose of defining the end of the Company's network facilities.

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2.0 RULES. (Cont'd.)34 Demarcation Points, (cont'd.)

## (B) Local Loop Demarcation Point, (cont'd.)

- iii. The Local Loop Demarcation Point is located at the MPO9/MPOP to any single or multi-story building, and includes the Company's entrance facility, except as set forth in Paragraph below. The Company will not be required to place its demarcation point on more than one floor of a multi-story building
- iv. Exceptions:
  - a. Emergency Reporting Services (E911/911): The demarcation point is at the Company-provided terminal equipment, including the equipment.
  - b. Disabled Services: The demarcation point is at the Company provided terminal equipment. The Company's responsibility includes the equipment where the equipment has been provided by the Company.
  - c. Company-Provided Semi-Public and Public Coin Services: The demarcation point is at the equipment at the location requested by the Customer or building owner, and includes the equipment.

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**2.0 RULES, (Cont'd.)****34 Demarcation Points, (cont'd.)****(B) Local Loop Demarcation Point, (cont'd.)****4 Exceptions: (cont'd.)**

- d. If a property owner desires an additional Local Loop Demarcation Point(s) at a specified location on a Customer's premises for purposes of providing service assurance, safety, security and privacy of data communications over the cable (also known as Direct Feed), the owner will be required to pay for additional network cable and network facilities through special construction arrangements. In particular, additional Local Loop Demarcation Points cannot be used to extend any cable pairs served from any Local Loop Demarcation Point from location to another location.
- e. **Fiber Optic Cable:** The demarcation point is at the Company provided Fiber Optic Terminal (FOT) equipment. The Company's responsibility includes the FOT equipment where the equipment has been provided by the Company.
- f. **Carrier Points of Presence (POP):** Local Loop Demarcation Point guidelines are not applicable for access services provided to interexchange carriers, local exchange carriers, and radio carriers (both private carriers and common carriers as defined by applicable Federal Communications Commission's regulations) Point of Presence location. However, the Local Loop Demarcation Point rules do apply to all Company provided service(s) provisioned to a Point of Presence when the service(s) is used in the capacity of an end-user of the service(s).

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## 2.0 RULES, (Cont'd.)

34 Demarcation Points, (cont'd.)

## C. INC Demarcation Point

- i. The Intrabuilding Network Cable (INC) demarcation point separates the building owner's responsibility to provide INC from the Customer's responsibility to provide inside wire, standard jacks, and customer premises equipment. This demarcation point designates the end of the INC provided by the building owner and the beginning of simple or complex inside wire provided by the Customer.
- ii. The INC demarcation point is located at the distribution terminal(s) on each floor in a multi-story building, except as set forth in Paragraph 3 below and B4 preceding.
- iii. Where there is no intrabuilding network cable or it is in a single-story building, the INC demarcation is the Company's Local Loop Demarcation Point.

## D. Inside Wire Demarcation Point

- i. The inside Wire Demarcation Point is located where Customer premises equipment (CPE) is connected to the inside wire. This demarcation point designates the end of the inside wire and the beginning of the CPE facilities.
- ii. The Inside Wire Demarcation Point separates the inside wire vendor's responsibility from that of the CPE vendor. This demarcation point, where the Company is the vendor of choice for inside wire repair and the CPE trouble isolation, begins where the Customer's inside wire connects to the INC. Where there is no INC, the Inside Wire Demarcation Point is the MPOE.

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## 2.0 RULES. (Cont'd.)

34 Demarcation Points, (cont'd.)

## E. Continuous Property

- i. Continuous Property is land which is
  - a. wholly owned by a single individual or entity, regardless of whether the owner leases<sup>2</sup> all or a portion(s) of the property to another and
  - b. which contains, or will contain, multiple buildings where all portions of the property may be served without crossing a public thoroughfare<sup>3</sup> or the property of another.
- ii. There are three basic types of Continuous Properties:
  - a. Single-tenant commercial in which one owner or tenant occupies all building.
  - b. Mixed commercial and residential (e.g., building with both commercial and residential space or campus-type configurations such as colleges and military bases) in which a mixture of business and residential uses exists.

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<sup>2</sup> The property retains its character as a Continuous Property regardless of whether the owner or a lessee (who wholly leases the property from the owner) sublets a portion(s) of the property to another, e.g., apartment buildings or complexes. Condominiums are also Continuous Property.

<sup>3</sup> A "Public thoroughfare" is a street, road, or other means of passage across a property which is not subject to restrictions on ingress, egress, or boundaries.

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## 2.0 RULES, (Cont'd.)

34 Demarcation Points, (cont'd.)

## (E) Continuous Property, (cont'd.)

## 2. There are three basic types of Continuous Properties:, (contd.)

- c. Multi-tenant commercial and/or residential in which several tenants occupy a building individually on a per-floor or persection basis.

Single family homes and properties within which a portion(s) of the land is owned by separate entities and portion(s) is owned by the entities in common\* do not constitute Continuous Property.

## iii. Continuous Property

- a. For Continuous Property, regardless of use, the Company's Local Loop Demarcation Point will be at the appropriate main distribution terminal as determined by negotiations between the property owner and the Company. Where an agreement cannot be reached, the Company will designate the Local Loop Demarcation Point location.
- b. It is the property owner's responsibility to provide and maintain INC within and between buildings on a continuous property. The Company may, at the Customer request and expense, provide INC.

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\* Such as townhomes and homes in gated communities.

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## 2.0 RULES. (Cont'd.)

34 Demarcation Points, (cont'd.)

## (E) Continuous Property, (cont'd.)

- iv. Where an owner of Continuous Property requests additional Local Loop Demarcation Points or changes an existing local loop demarcation point, the owner will be required to pay for any additional network cable and facilities required through special construction agreements set forth in this tariff, except as provided in the preceding paragraph.
- v. The INC and Inside Wire Demarcation Points are located as described above.
- vi. At the request of a property owner, a Company may waive the designation of a single Local Loop Demarcation Point for a Continuous Property if, due to the unique characteristics of the property, a hardship would be created for the property owner and/or the Company. Examples of such Continuous Property include (a) national, state and local parks, beaches, highways, harbors and similar publicly-owned property and (b) railroad rights-of-way and extensive, privately-owned tracts of land with developed communities and similar privately-owned property. The Company will treat land within the boundaries of privately-owned property under (b) above as Continuous Property, provided that it had the characteristics of Continuous Property, e.g., (a) it is wholly leased by a single individual or entity and (b) it contains or will contain multiple buildings.

This paragraph is not intended in any way to waive the unbundling of INC in each building.

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80-02 Kew Gardens Road  
Suite 5000  
Kew Gardens, NY 11415

3.0 PROMOTIONS

III. PROMOTIONS

I. Promotional Offerings - General

Reserved for future use.

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Issued: Aug. 14, 1998

Effective: Aug. 14, 1998

Issued by: Deborah Arnott, Compliance  
80-02 Kew Gardens Road  
Suite 5000  
Kew Gardens, NY 11415

4.0 INDIVIDUAL CASE BASIS ARRANGEMENTS

IV. Individual Case Basis Arrangements

[reserved for future use]

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Issued: Aug. 14, 1998

Effective: Aug. 14, 1998

Issued by: Deborah Arnott, Compliance  
80-02 Kew Gardens Road  
Suite 5000  
Kew Gardens, NY 11415

5.0 FORMS

- V. Forms
- 1. Customer Service Order
- 2. Billing Information
- 3. Greeting Letter
- 4. Past Due Notice
- 5. Returned Check Notice
- 6. Customer Disconnect Notice

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Issued:	Aug. 14, 1998	Effective: Aug. 14, 1998
Issued by:	Deborah Arnott, Compliance 80-02 Kew Gardens Road Suite 5000 Kew Gardens, NY 11415	

ITEM 18(A)

FINANCIAL CAPABILITY

Computer Business Sciences, Inc. will finance the construction and operation of its proposed system through a combination of financial resources including its own internal funding, support from its parent corporation, the procurement of financing, and anticipated revenues. In support of its financial showing, attached hereto are the following documents:

2. The most recently prepared balance sheets of CBS and its corporate parent, Fidelity Holdings, Inc., a publicly traded company (FDHG BB:NASDAQ). Copies of Fidelity's 10K, 10QSB and 8K are on file with the SEC and attached herein.
3. The most recently prepared income statements of CBS and Fidelity Holdings.
4. The most recently prepared statement of retained earnings of CBS and Fidelity Holdings.
5. CBS intends to use a private placement to secure the funds necessary to complete its network deployment and sell its services. Mezzanine funding will be used for financing xDSL service equipment, as it is capital intensive. With the xDSL equipment financing we will package it in 1,000 customer multiples. CBS plans to pay off the Mezzanine funding with an IPO next year.
6. Financing will be secured by revenues generated from operating the network and through an interest in the network facilities. An estimate of the fixed and

annual operating costs of operating as a local exchange and interexchange carrier is attached hereto. The attachment demonstrates that CBS will be able to procure the necessary financing for the project and that the project is economically feasible. CBS has submitted a Motion concurrently with this Application seeking confidential treatment of these attachments on the basis that they contain highly proprietary and competitively sensitive information. Annual fixed and operating costs are expected to be well within the financial resources available to CBS through the procurement of financing and anticipated revenues.

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

(Mark One)

- ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [Fee Required]

For the fiscal year ended December 31, 1997

- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the transition period from \_\_\_ to \_\_\_

Commission file number 0-29182

Fidelity Holdings, Inc.

(Name of Small Business Issuer in Its Charter)

Nevada

(State or Other Jurisdiction of  
Incorporation or Organization)

11-3292094

(I.R.S. Employer  
Identification No.)

80-02 Kew Gardens Road, Suite 5000

Kew Gardens, New York

(Address of Principal Executive Offices)

11415

(Zip Code)

Issuer's Telephone Number, Including Area Code (718) 520-6500

Securities registered pursuant to Section 12(b) of the Exchange Act: None

Securities registered pursuant to Section 12(g) of the Exchange Act:

Common Stock, par value \$ .001 per share

(Title of Class)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this Form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Issuer's revenues for its most recent fiscal year: \$3,862,284.

The approximate aggregate market value of the registrant's common stock held by non-affiliates, computed by

reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of April 7, 1998 was \$6,016,606. The number of shares outstanding of the registrant's common stock on April 7, 1998, was 6,895,700 shares.



## PART I

### Item 1. Description of Business.

The statements which are not historical facts contained in this Annual Report are forward looking statements that involve risks and uncertainties, including, but not limited to, possible delays in the Company's expansion efforts, changes in telephony and communication markets and technologies, government regulation, the nature of possible supplier or customer arrangements which may become available to the Company in the future, possible technological obsolescence, uncollectible accounts receivable, slow moving inventory, lack of adequate financing, increased competition and unfavorable general economic conditions. The Company's actual results may differ materially from the results discussed in any forward looking statement.

#### General

Fidelity Holdings, Inc. ("the Company") was incorporated in Nevada on November 7, 1995. The Company is a holding company and, accordingly, derives its revenues solely from its operating subsidiaries. The Company's first full year of operations was 1996. The operating subsidiaries of the Company are grouped into three divisions: (i) Computer Telephony and Telecommunications; (ii) Leasing; and (iii) Plastics and Utility Products. The proposed Major Auto Acquisition (see "Planned Acquisition", below), will add a fourth, Automotive Sales. Unless otherwise indicated, all references to the Company include reference to the subsidiaries of the Company.

One of the primary purposes of the holding company is the consolidation of the retail automotive industry and the acquisition and development of synergistic technological businesses to enhance its ability to sell automotive products and exploit its technological capabilities through sales of telecommunications products and services. Through its planned acquisition of Major Auto, the Company will become one of the largest-volume retailers in New York City of new and used vehicles.

Through its Computer Telephony and Telecommunications division, the Company provides a broad range of telecommunications services. Included in its telecommunications product lines are its (i) proprietary software which enables consumers to place long-distance telephone calls at discounted rates and (ii) a variety of sophisticated interactive voice response applications. This division also developed, and presently markets and sells, a proprietary computer software system that provides multi-lingual accounting and business management applications.

The Company is planning to exploit its technological capabilities in telephony by emphasizing high speed, broadband, multimedia transmission over telephone, including voice, data, videoconferencing and other applications. Additionally, the Company is in the preliminary process of developing a commercial mobile satellite technology in connection with the Israel Aircraft Industry's ELTA division.

The Company's Plastics and Utility Products division currently consists of a development-stage company which was acquired in 1996. Its proprietary prototypes include a line of spa and bath fixtures for use in whirlpool baths, spas, tubs and swimming pools and a light-weight, structurally strong, prefabricated conduit for underground electrical cables. As this division's products are still under development, no commercial sales have as yet been made.

The operations of the Company's Leasing division consist of providing leases and other financing. Such activities are directed primarily toward the automotive vehicle market and are to be expanded to the purchasers of the Company's telecommunications hardware products.

#### Recent Developments

On October 23, 1997, the Company filed a registration statement on Form SB-2 (the "Registration Statement") with respect to the proposed offering, by Hobbs Melville Securities Corp., as underwriter, of 1,150,000 shares of the Company's common stock ("Common Stock") at an offering price of \$6.00 per share. The Registration Statement was subsequently withdrawn by the Company on March 18, 1998, without its having been declared effective by the Securities and Exchange Commission (the "SEC").

#### Planned Acquisition

The Company and its wholly-owned subsidiary, Major Acquisition Corp., have entered into a merger agreement with Major Automotive Group, Inc. ("Major Auto") and its sole stockholder, Bruce Bendell, who is the Company's chairman and the beneficial owner of approximately 39.6% of the Company's outstanding common stock. Bruce Bendell owns all of the issued and outstanding shares of common stock of Major Chevrolet, Inc. ("Major Chevrolet") and Major Subaru, Inc. ("Major Subaru") and 50% of the issued and outstanding shares of common stock of Major Dodge, Inc. ("Major Dodge") and Major Chrysler, Plymouth, Jeep Eagle, Inc. ("Major Chrysler, Plymouth, Jeep Eagle"), which, collectively, operate five franchised automobile dealerships (collectively, the "Major Auto Group").

Pursuant to the merger agreement, Bruce Bendell will contribute to Major Auto all of his shares of common stock of Major Chevrolet, Major Subaru, Major Dodge and Major Chrysler, Plymouth, Jeep Eagle. Major Acquisition Corp. will then acquire from Bruce Bendell all of the issued and outstanding shares of common stock of Major Auto in exchange for shares of a new class of the Company's preferred stock. Harold Bendell, Bruce Bendell's brother, owns the remaining 50% of the issued and outstanding shares of common stock of Major Dodge and Major Chrysler, Plymouth, Jeep Eagle. Major Acquisition Corp. will purchase Harold Bendell's shares for \$4 million in cash under a stock purchase agreement. In addition, Major Acquisition Corp. will acquire two related real estate components (the "Major Real Estate", defined hereinafter) from Bruce Bendell and Harold Bendell (collectively "the Bendells") for their aggregate appraised value of \$3 million.

The preferred stock to be issued to Bruce Bendell will be called the "1997 MAJOR Series of Convertible Preferred Stock." It will have voting rights and will be convertible into the Company's Common Stock. The number of shares of Common Stock into which the new class will be convertible is the greater of (i) 1.3 million shares and (ii) that number of shares that have a market value of \$6,000,000. The market value per share for this purpose will be the mean between the closing bid and ask prices for the Common Stock over the 20 trading days immediately prior to the date of issuance of the preferred stock. See "Description of Securities-Preferred Stock." The foregoing acquisitions from Major Auto and Harold Bendell are collectively referred to herein as the "Major Auto Acquisition."

The merger agreement allocates the value of the consideration payable to Bruce Bendell as follows: (i) 61% to Major Chevrolet; (ii) 5.8% to Major Subaru; (iii) 16.6% to Major Dodge; and (iv) 16.6% to Major Chrysler, Plymouth, Jeep Eagle. The stock purchase agreement allocates the value of the consideration payable to Harold Bendell 50% to each of Major Dodge and Major Chrysler, Plymouth, Jeep Eagle. The Major Auto dealerships were valued for purposes of the proposed merger at eight times adjusted earnings before interest and taxes for their respective 1996 fiscal years. Adjusted earnings includes officers' salaries, expenses not directly related to operations, non-recurring legal expenses and LIFO adjustments. The Company believes that the eight times earnings multiple is a relatively common pricing/valuation convention in the automobile industry.

The closing of the Major Auto Acquisition is presently scheduled to coincide with the closing of a loan with Falcon Financial, LLC ("Falcon") (see below) which is anticipated to occur no later than April 30, 1998. The parties have the right to agree to an earlier date. A condition to the closing is that all manufacturer approvals have been obtained. If this condition remains unsatisfied on the scheduled closing date, the merger agreement and the stock purchase agreement provide three alternatives: (i) the Company can elect not to close; (ii) the parties may agree to extend the closing date to provide additional time to obtain such approvals; or (iii) the Company may elect to consummate the Major Auto Acquisition with Major Auto owning, and Harold Bendell selling, only those dealerships with respect to which the manufacturer's approvals have been

obtained. In the latter case, the number of shares issuable to Bruce Bendell and the monetary amount payable to Harold Bendell will be reduced in accordance with the value allocations described above, but the parties are obligated to use their best efforts during the 90-day period following the closing to obtain the missing approvals so that the non-included dealership subsidiaries can be transferred to the Company at a later time. To date, Subaru Distributors Corp. has consented to the change in ownership of the Subaru dealership and General Motors Corporation (General Motors) has consented to the change in ownership of the Chevrolet dealership. The Company and Major Auto are still awaiting the consent of Chrysler Corporation to the change in ownership of the Dodge and/or its Chrysler, Plymouth, Jeep and Eagle franchises. In addition, as part of the Major Auto Acquisition, it is planned that the Bendells will sell their interests in the showroom and service facility ("Major Real Estate"), which Major Dodge, Major Chrysler, Plymouth, Jeep Eagle and Major Subaru lease from them, to Major Acquisition Corp. for its appraised value of \$3 million.

To finance the cash portion of the Major Auto Acquisition, aggregating \$7 million (\$4 million for Harold Bendell and \$3 million to purchase the Major Real Estate) Major Acquisition Corp. will borrow \$7.5 million from Falcon. Major Auto Acquisition Corp. has received from Falcon a letter of commitment dated March 16, 1998 which provides, *inter alia*, for a 15 year term loan with interest equal to the yield on the ten-year U.S. Treasury bond rate at the time of closing plus 450 basis points. Prepayment will not be permitted for the first five years, after which prepayment may be made, in full only, along with the payment of a "Yield Maintenance Amount."

The collateral securing this transaction includes the Major Real Estate and, subject to the interests of any current or prospective "floor plan or cap loan lender," the assets of Major Acquisition Corp. Major Acquisition Corp. will be required to comply with certain financial covenants related to net worth and cash flow. The loan is conditional, *inter alia*, upon the constituent companies of the Major Auto Group being franchisees of the respective manufacturers and upon the consent of Chrysler Corporation to the acquisition by Major Acquisition Corp. of the Major Dodge and Major Chrysler, Plymouth, Jeep, Eagle dealerships, which transaction is required to be completed prior to closing. Furthermore, the Company will provide an unconditional guarantee of this loan.

#### Potential Acquisitions

In 1997, the Company signed a Letter of Intent (the "Original Lichtenberg Letter of Intent") with the shareholders of Lichtenberg Robbins Buick, Inc. db/a Lichtenberg Buick, and Lichtenberg Motors, Inc. db/a Lichtenberg Mazda (collectively, the "Lichtenberg Group"), in contemplation of the acquisition by the Company or one of its wholly-owned subsidiaries of all of the issued and outstanding common stock of Lichtenberg Group. The Original Lichtenberg Letter of Intent contemplated that the parties would negotiate definitive documentation that will provide for such acquisition for an aggregate purchase price equal based on the pro forma after-tax earnings of Lichtenberg Group for the twelve months ending December 31, 1996. A portion of the purchase price would be payable in cash and the balance would be payable in Common Stock of the Company. Either party will have the right to terminate the transactions contemplated by the Original Lichtenberg Letter of Intent if, among other things, lower-than-expected earnings result in a purchase price of less than \$1.8 million. The definitive documentation is also expected to provide that Peter Lichtenberg, who presently manages Lichtenberg Group, would continue to manage such dealerships after such acquisition. The Company and the shareholders of Lichtenberg Group, including Peter Lichtenberg, have been negotiating the terms of a purchase contract relating to such acquisition. Since signing the Original Lichtenberg Letter of Intent, the Lichtenberg Group has acquired two additional franchised dealerships, Chrysler and Subaru. Accordingly, negotiations are proceeding to revise and update the Original Lichtenberg Letter of Intent to incorporate the acquisition by the Company of the additional dealerships and to revise other provisions. Based upon preliminary financial and other information in the Company's possession relating to the business and operations of Lichtenberg Group, the Company does not believe that such acquisition, if consummated, would have a material impact on the financial position of the Company. In connection with the proposed Major Auto Acquisition, the Company has been advised by General Motors that Major Auto does not currently meet General Motors' criteria to allow acquisition of additional General Motors' dealerships without seeking approval for each acquisition. The effect of this is that should the Company determine to acquire Lichtenberg Group or other additional General Motors' dealerships in the future, it will be required to obtain General Motors' approval on a case-by-case basis.

The foregoing transaction is in the preliminary stages and is subject to significant further negotiation and due diligence as

part of the preparation and execution of definitive agreements. There can be no assurance that this transaction will occur.

#### Automotive Sales Division

##### General

Major Auto, which the Company proposes to acquire (see "Planned Acquisition"), is one of the largest volume automobile retailers in New York City. Major Auto owns and operates the following five franchised automobile dealerships in the New York metropolitan area: (i) Chevrolet; (ii) Chrysler and Plymouth; (iii) Dodge; (iv) Jeep and Eagle; and (v) Subaru. Major Auto also distributes General Motors vehicles in Russia. Through its dealerships, Major Auto sells new and used automobiles, provides related financing, sells replacement parts and provides vehicle repair service and maintenance.

Major Auto's President, Bruce Bendell, has approximately 26 years experience in the automobile industry. He began selling and leasing used vehicles in 1972 and has owned and managed franchised automobile dealerships since he acquired Major Auto's Chevrolet dealership in 1985. Under Mr. Bendell's leadership, Major Auto has expanded from a single-franchise dealership having approximately \$10 million in revenues and 25 employees in 1985 to a five-franchise dealership group having approximately \$144 million in revenues and 175 employees in 1997. (Note that the dollar amounts and statistics cited for Major Auto for 1997 in this Annual Report, and all other dollar amounts and statistics cited for Major Auto elsewhere herein are based on Major Auto's preliminary financial statements and related data. Such information is subject to independent audit which has not yet been completed. Audited Consolidated Financial Statements and related notes thereto for Major Auto and pro forma combining financial statements for Major Auto and the Company will be filed by amendment to this Annual Report, as soon as practicable after they become available to the Company.)

##### Industry Background

Automobile manufacturers distribute their new vehicles through franchised dealerships. According to industry data from the National Automobile Dealers Association ("NADA data"), in 1997, total dollar sales, consisting of the sale of all new and used vehicles and service and parts, of all franchised new-car dealerships increased 4% to a record high of \$509 billion. Franchised dealerships located in the New York State had an estimated total dollar sales of \$17.9 million.

According to NADA data, on average, new vehicle sales constitute 58% of a franchised dealership's total sales. Unit sales of new vehicles rose 0.7% in 1997 to a total of 15.1 million units sold. At an average retail selling price of \$22,400 per vehicle, new vehicle sales totaled approximately \$338 billion in 1997. From 1992 to 1997 sales revenue from the sale of new vehicles increased approximately 53%. The annual net profit of the typical United States franchised dealer's new vehicle department is estimated to be \$46,760 retained.

According to NADA data, on average, used vehicle sales constitute 30% of a franchised dealership's total sales. In 1997, franchised new vehicle dealers sold 12.0 million retail used vehicles. At an average selling price of \$12,100 per vehicle, used vehicle sales totaled in approximately \$145 billion in 1997. From 1992 to 1997 sales revenue from the retail sale of used vehicles increased approximately 88% and the combined sales revenue from the retail and wholesale sale of used vehicles increased approximately 81%. The annual net profit of the typical United States franchised dealer's used vehicle department is estimated to be \$147,525 including wholesale and retail. The NADA data cites that for all United States dealerships, the net profit from sales of used vehicles is approximately 2 1/2 times the net profit from the sales of new vehicles. No assurance can be given that results of Major Auto's operations will conform to NADA's industry data.

The following table sets forth information regarding vehicle sales by franchised new vehicle dealerships for the periods indicated:

#### UNITED STATES FRANCHISED DEALER'S VEHICLES SALES

	1992	1993	1994	1995	1996	1997
	(Units in millions; dollars in billions)					
New vehicle unit sales	12.9	13.9	15.1	14.8	15.1	15.1
New vehicle sales revenue(1)	\$221.0	\$253.0	\$290.0	\$303	\$328.0	\$338.2
Used vehicle unit sales - retail	9.3	9.9	10.9	11.4	11.9	12.0
Used vehicle retail sales revenue	\$ 77.3	\$ 90.4	\$111.0	\$126.0	\$137.0	\$145.2
Used vehicle unit sales - wholesale	5.8	6.4	6.8	7.0	7.2	7.1
Used vehicle wholesale sales revenue	\$ 22.0	\$ 24.0	\$ 27.7	\$ 30.3	\$ 33.4	\$ 34.6

(1) Sales revenue figures were generated by multiplying the total unit sales by the average retail selling price of the vehicle for the given year.

Source: National Automobile Dealers Association (NADA) Data 1998 (1997 data preliminary and estimated)

In addition to revenues from the sale of new and used vehicles, automotive dealerships derive revenues from repair and warranty work, sale of replacement parts, financing and credit insurance and the sale of extended warranty coverage. According to NADA data, revenues resulting from service and parts sales increased approximately 4% in 1997 for franchised dealerships, a portion of which is accounted for by the increase in the amount of used vehicle reconditioning. Revenue from parts and services constitutes, on average, approximately 12% of a franchised dealership's total sales and generates an annual net profit of \$145,000.

Automotive dealerships' profits vary widely and depend in part upon the effective management of inventory, marketing, quality control and responsiveness to customers. According to NADA data, in 1997, total franchised dealership gross profits were, on average, \$2.8 million with an average net profit of \$308,000.

To reduce the costs of owning a new vehicle, automobile manufacturers in recent years have offered favorable short-term lease terms. This has attracted consumers to short-term leases and has resulted in consumers returning to the new vehicle market sooner than if they had purchased a new vehicle with longer-term financing. In addition, this has provided new car dealerships with a continuing source of off-lease vehicles and has also enabled dealerships' parts and service departments to provide repair service under factory warranty for the lease term.

The automotive dealership industry has been consolidating in recent years. Until the 1960s, automotive dealerships were typically owned and operated by a single individual who controlled a single franchise. However, because of competitive and economic pressures in the 1970s and 1980s, particularly the oil embargo of 1973 and the subsequent loss of market share experienced by United States automobile manufacturers to imported vehicles, many automotive dealerships were forced to close or to sell to better-capitalized dealer groups. Continued competitive and economic pressure faced by automotive dealers and an easing of restrictions imposed by automobile manufacturers on multiple-dealer ownership have led to further consolidation. According to NADA data, the number of franchised dealerships has declined from 36,336 in 1960 to 22,700 at the beginning of 1997.

Major Auto believes that franchised automobile dealerships will continue to consolidate because the capital required to operate dealerships continues to increase, many dealership owners are approaching retirement age and certain automobile manufacturers want to consolidate their franchised dealerships to strengthen their brand identity. For example, management believes that General Motors Corporation is implementing a strategy to reduce its franchised dealerships by 1,500 from 8,400 by the year 2000. Major Auto believes that dealership groups that have significant equity capital and experience in acquiring and running dealerships will have an opportunity to acquire additional franchised dealerships.

#### *Operating Strategy*

Major Auto's operating strategy is to increase customer satisfaction and loyalty and to increase operating efficiencies. The Company intends to pursue the same operating strategy as Major Auto after completion of the Major Auto Acquisition. Key

elements of this operating strategy are as follows:

*Use of Technology.* Major Auto believes that it has achieved a competitive advantage through the use of technology. Major Auto was one of the first dealership groups to provide its customers with a 1-800 telephone number and price quotations via facsimile. During the past several years, Major Auto has sold approximately 25-50 vehicles per month from leads provided by electronic media, such as Bloomberg (since 1994) and the Internet (since 1995). Major Auto presently enables its customers to obtain credit approvals over the telephone via its proprietary Talkie-AutoCom, a customized application of the Company's "Talkie" telephone interactive voice response system (see "Computer Telephony and Telecommunications Division — Talkie"), that operates 24 hours per day, seven days per week and in nine different languages. Major Auto is presently expanding its use of Talkie-AutoCom to permit customers to obtain answers to the most frequently asked questions, obtain price quotes, place orders, schedule and confirm service appointments, obtain directions to the dealership and request faxes of product and price information. Major Auto is also intending to expand its use of Talkie-AutoCom to call its customers automatically to notify them of required maintenance, sales and promotions and to solicit customer satisfaction information. In addition, Major Auto intends to explore new ways to use technology to provide better customer service. Major Auto has developed and is in the process of beta-testing an Internet-based marketing system called MajorAuction.Com to provide electronically, visual and textual information regarding vehicles sold by Major Auto and enable customers to: (i) purchase a new or used vehicle on-line; (ii) participate in a real-time auction for a specific vehicle; and (iii) arrange for the related financing. See "Computer Telephony and Telecommunications Division-Talkie."

*Leverage the Sale of International Calling Time.* Major Auto will offer customers pre-paid international telephone calling time in connection with the purchase or lease of its automobiles. To accomplish this, Major Auto will utilize the Company's proprietary Talkie technology, which is able to provide users with international calling time at sharply discounted rates. Because Major Auto will purchase telephone time from the Company or one of its master agents at below-market rates, the cost to Major Auto of implementing this program will be minimal compared with the savings to be realized by its customers. Major Auto's primary market, the New York metropolitan area, is home to many diverse ethnic groups who have family and friends whom they call frequently in their native countries. By offering pre-paid international telephone calling time with the purchase or lease of a vehicle, Major Auto believes that it can add value to its customers and thereby increase customer satisfaction and loyalty. See "Computer Telephony and Telecommunications Division-Talkie."

*Focus on Used Vehicle Sales.* A key element of Major Auto's operating strategy is to focus on the sale of used vehicles. In 1997, approximately 12.0 million used cars were sold retail by dealers, fifty percent more than the number of such sales in 1980. Sales of used vehicles are generally more profitable than sales of new vehicles. Management believes that the New York metropolitan area is one of the largest markets for used car sales in the United States and that Major Auto sells more used cars in the New York metropolitan area than any other automobile dealership or dealership group. Major Auto strives to attract customers and enhance buyer satisfaction by offering multiple financing and leasing options and competitive warranty products on every used vehicle it sells. Major Auto believes that a well-managed used vehicle operation affords it an opportunity to: (i) generate additional customer traffic from a wide variety of prospective buyers; (ii) increase new and used vehicle sales by aggressively pursuing customer trade-ins; (iii) generate incremental revenues from customers financially unable or unwilling to purchase a new vehicle; and (iv) increase ancillary product sales to improve overall profitability. To maintain a broad selection of high-quality used vehicles and to meet local demand preferences, Major Auto acquires used vehicles from trade-ins and a variety of sources nationwide, including direct purchases from individuals and fleets, and manufacturers' and independent auctions. Major Auto believes that the price at which it acquires used vehicles is the most significant factor contributing to the profitability of its used vehicle operations. Major Auto believes that, because of the large volume of used vehicles that it sells each month and the over 25 years of experience in the used vehicle business of its President, Bruce Bendell, it is able to identify quality used vehicles, assess their value and purchase them for a favorable price.

*Emphasize Sales of Higher Margin Products and Services.* Major Auto generates substantial incremental revenue and achieves increased profitability through the sale of certain ancillary products and services such as financing, extended service contracts and vehicle maintenance. Major Auto provides its employees with special training and compensates them, in part, with commissions based on their sales of such products and services. Major Auto believes that these ancillary products and services enhance the value of purchased or leased vehicles and increase customer satisfaction.

*Provide a Broad Range of Products and Services.* Major Auto offers a broad range of products and services, including a wide range of new and used cars and light trucks, vehicle financing, replacement parts and service. At its four locations, Major Auto offers, collectively, seven makes of new vehicles, including Chevrolet, Chrysler, Plymouth, Dodge, Jeep, Eagle and Subaru. In addition, Major Auto sells a wide variety of used vehicles at a wide range of prices. Major Auto believes that offering numerous makes and models of vehicles, both new and used, appeals to a wide variety of customers, minimizes dependence on any one automobile manufacturer and reduces its exposure to supply problems and product cycles.

*Operate Multiple Dealerships in Target Market.* Major Auto intends to become the leading automotive dealer in its target market by operating multiple dealerships in that market. To accomplish this, Major Auto intends to acquire new franchises in its existing market and to expand its existing franchises to new markets. This should enable Major Auto to achieve economies of scale in advertising, inventory management, management information systems and corporate overhead.

*Target Sales to Ethnic Groups.* Because the New York metropolitan area, Major Auto's primary market, is ethnically diverse, Major Auto targets its selling efforts to a broad range of ethnic groups. In addition to offering pre-paid international telephone calling time, Major Auto employs a multi-lingual sales force and intends to expand its electronic media to accommodate multiple languages.

*Employ Professional Management Techniques.* Major Auto employs professional management techniques in all aspects of its operations, including information technology, employee training, profit-based compensation and cash management. Each of Major Auto's four dealership locations, its centralized used vehicle operation, and its two service and parts operations is managed by a trained and experienced general manager who is primarily responsible for decisions relating to inventory, advertising, pricing and personnel. Major Auto compensates its general managers based, in part, on the profitability of the operations they control rather than on sales volume. Major Auto's senior management meets weekly with its general managers and utilizes computer-based management information systems to monitor each dealership's sales, profitability and inventory on a daily basis and to identify areas requiring improvement. Major Auto believes that the application of its professional management techniques provides it with a competitive advantage over other dealerships and dealership groups and enables it to increase its profitability.

#### *Growth Strategy*

The Company intends to expand its business by acquiring additional dealerships and improving their performance and profitability by implementing its operating strategy. As part of its growth strategy, the Company intends to focus its efforts on dealerships or dealer groups that, among other criteria, possess either the sole franchise of a major automobile manufacturer or a significant share of new vehicle sales in each targeted market and that it believes are underperforming. In evaluating potential acquisition candidates, the Company will also consider the dealership's or dealer group's profitability, customer base, reputation with customers, strength of management and location (e.g., along a major thoroughfare or interstate highway), and the possibility that the Company will be able to acquire additional franchises in that market to achieve larger market share. Major Auto believes that the most attractive acquisition candidates can be found in the New York metropolitan area, but the Company may consider acquisitions in other markets. The Company's financing of such acquisitions may involve spending cash, incurring debt or issuing equity securities, which could have a dilutive effect on the then outstanding capital stock of the Company. The Company has been advised by General Motors that Major Auto does not currently meet General Motors' criteria to allow acquisition of additional General Motors' dealerships without seeking approval for each acquisition. The effect of this is that should the Company determine to acquire additional General Motors' dealerships in the future, including its potential acquisition of Lichtenberg Group, it will be required to obtain General Motors' approval on a case-by-case basis. See "Potential Acquisitions."

Upon completing an acquisition, the Company intends to implement its operating strategy, which includes selling more new and used vehicles, increasing finance revenues, enhancing employee training, lowering purchasing costs for used car inventories, supplies and outside vendor expenses. The Company also intends to install its management information system in acquired dealerships as soon as possible after the acquisition, which will allow its senior management to carefully monitor

each aspect of the dealership's operations and performance. Whenever possible, the Company intends to implement its strategies and operation procedures prior to the closing of an acquisition to enable it to accelerate the implementation of its operating strategy after closing. See "Operating Strategy."

The Company believes that Major Auto's management team has considerable experience in evaluating potential acquisition candidates, determining whether a particular dealership can be successfully integrated into Major Auto's existing operations and implementing its operating strategy to improve their performance and profitability following the acquisition. For example, Bruce Bendell, Major Auto's President, acquired a Nissan dealership in Oyster Bay, New York in January 1997. The Nissan dealership is not owned or operated by Major Auto, but is majority-owned by Mr. Bendell and minority-owned by another individual otherwise unaffiliated with the Company or Mr. Bendell. Upon Mr. Bendell's acquisition of the Nissan dealership, it was selling 90 new and 20 used vehicles per month and was not generating any profits from such sales. Under Mr. Bendell's leadership, the dealership has expanded its sales to over 200 new and used vehicles per month. The Company also believes that an increasing number of acquisition opportunities will become available to it. See "Industry Background." The Company and Mr. Bendell are currently negotiating a letter of intent concerning the Company's acquisition of Oyster Bay Nissan. The acquisition would be subject to the completion of the Major Auto Acquisition. There can be no assurance that the Company and Mr. Bendell will agree on acceptable terms. Based upon preliminary financial and other information in the Company's possession relating to the business and operations of Oyster Bay Nissan, the Company does not believe that such acquisition, if consummated, would have a material impact on the financial position of the Company. However, if the purchase price for such acquisition were to have a significant cash component, the Company would likely be required to raise additional capital, either by incurring debt or issuing equity, to finance the consummation of such acquisition.

With the exception of the Major Auto Acquisition, the negotiations with respect to Oyster Bay Nissan described above and the transaction described under "Potential Acquisition" above, the Company does not presently have any other material plans, proposals, arrangements or understandings with respect to potential acquisitions.

#### *Dealership Operations*

Major Auto owns and operates five automobile dealerships at four locations in Long Island City, New York. Major Auto conducts its parts and service business and its used vehicle business from three additional locations in Long Island City. Major Auto offers the following seven makes of new vehicles: Chevrolet, Chrysler, Plymouth, Dodge, Jeep, Eagle and Subaru. Each location is run by a separate general manager who is responsible for overseeing all aspects of the business conducted at that location. Each of the parts and service locations has two general managers, one for parts and one for service. Each general manager meets with Major Auto's senior management, including Bruce and Harold Bendell, on a weekly basis.

Following the acquisition of Major Auto by the Company, Bruce and Harold Bendell will continue to be responsible for senior-level management of the dealerships. The Bendell brothers and the Company expect that this prospective continuity of senior management will facilitate obtaining the manufacturers' consents to the transfer of the dealerships to the Company. The Bendell brothers' management control will be accomplished through (i) their ownership of 100 shares of the Company's 1997A-MAJOR AUTOMOTIVE GROUP Series of Preferred Stock (of which shares Bruce Bendell has a proxy to vote the 50 shares of the 1997A-MAJOR AUTOMOTIVE GROUP Series of Preferred Stock owned by Harold Bendell for a seven-year period commencing on January 7, 1998) which carries voting rights allowing them to elect a majority of the Board of Directors of Major Auto, and through (ii) a related management agreement. See "Description of Securities-Preferred Stock-1997A-MAJOR AUTOMOTIVE GROUP Series of Preferred Stock" and "Certain Relationships and Related Transactions" below. Should either of the Bendell brothers cease managing the dealerships, the management agreement provides that ownership of his 1997A-MAJOR AUTOMOTIVE GROUP Series of Preferred Stock shares and his management rights under the management agreement will be automatically transferred to the other, and should both brothers cease managing the dealerships for any reason, the shares and management rights will be automatically transferred to a successor manager designated in a successor addendum to each dealership agreement or, failing such designation, to a successor manager designated by the Company (subject to approval by the applicable manufacturers).

**New Vehicle Sales.** Major Auto sells the complete product line of cars, sport utility vehicles, minivans and light trucks



manufactured by Chevrolet, Chrysler, Plymouth, Dodge, Jeep, Eagle and Subaru. In 1997, Major Auto's dealerships sold 4,839 new vehicles generating total sales of approximately \$111,468,679, which constituted approximately 69% of Major Auto's total revenues. Major Auto's gross profit margin on new vehicle sales in 1997 was approximately 7% which is consistent with the industry average for 1997 of 7%. The relative percentages of Major Auto's new vehicle sales among makes of vehicles in 1997 was as follows:

<u>Manufacturer</u>	<u>1997 Percentage of New Vehicle Sales</u>
Chevrolet	56%
Chrysler, Plymouth, Jeep and Eagle	22%
Dodge	16%
Subaru	6%

The following table sets forth, for the periods shown, information with respect to Major Auto's new vehicle sales:

	NEW VEHICLE SALES (dollars in thousands)		
	1995	1996	1997
Unit sales	4,375	5,062	4,834
Sales revenue	\$90,000	\$109,000	\$111,000
Gross Profit	\$ 7,200	\$ 8,000	\$ 7,700
Gross Profit Margin	8.0%	7.3%	7.0%

Major Auto purchases substantially all of its new vehicle inventory directly from the respective manufacturers who allocate new vehicles to dealerships based upon the amount of vehicles sold by the dealership and the dealership's market area. As required by law, Major Auto posts the manufacturer's suggested retail price on all new vehicles, but the final sales price of a new vehicle is typically determined by negotiation between the dealership and the purchaser.

In addition to its dealership operations, Major Auto has a distributorship agreement with General Motors Corporation ("General Motors") pursuant to which Major Auto distributes in Russia new vehicles manufactured by General Motors. Major Auto has realized revenues of approximately \$2,890,000, \$9,400,000 and \$8,005,000 during its 1995, 1996 and 1997 fiscal years, respectively, from its distribution of General Motors vehicles in Russia. Major Auto's gross profits from such sales were approximately \$178,000, \$572,000, and \$552,700 for its 1995, 1996 and 1997 fiscal years, respectively. Under its distributorship arrangement, Major Auto accepts orders from General Motors' automobile dealers in Russia for both standard and custom General Motors vehicles. Major Auto generally receives a deposit on the purchase price of the vehicle from the Russian dealer and releases the vehicle to the dealer upon full payment of the balance of the wholesale purchase price plus a percentage of the dealer's profit on the sale. Major Auto intends to expand its distributorship operation in the future to include the sale of used vehicles.

Approximately 29% of Major Auto's unit sales of new vehicles are fleet sales, which are generally sales to commercial customers that register ten or more vehicles in a given year, and include taxi cab companies, police departments and small businesses. Major Auto has advised the Company that it believes that its fleet sales, and its service of fleet vehicles, protect it from some of the fluctuations in the retail automobile buying market, provide a source of off-fleet vehicles for its used vehicle operations and enhance its reputation and customer satisfaction. Fleet sales are generally awarded to a dealership on the basis of a blind competitive bidding process.

**Used Vehicle Sales.** Major Auto offers a wide variety of makes and models of used vehicles for sale. In 1997, Major Auto sold 3,127 used vehicles generating total sales of approximately \$40,800,000, which constituted approximately 25% of Major Auto's total revenues. Major Auto's gross profit margin on used vehicle sales in 1997 was approximately 14% as compared with the industry average for 1997 of 11.4%. Major Auto is the largest seller of used vehicles (based on unit sales and sales revenue) in the New York metropolitan area.

Major Auto has consolidated its used vehicle operations for its various dealerships at a single site. Major Auto acquires the used vehicles it sells through customer trade-ins, at "closed" auctions which may be attended by only new vehicle dealers and which offer off-lease, rental and fleet vehicles, and at "open" auctions which offer repossessed vehicles and vehicles being sold by other dealers.

Major Auto has advised the Company that it believes that the market for used vehicles is driven by the escalating purchase price of new vehicles and the increase in the quality and selection of used vehicles primarily due to an increase in the number of popular cars coming off short-term leases.

The following table sets forth, for the periods shown, information with respect to Major Auto's used vehicle sales:

### USED VEHICLE SALES

(dollars in thousands)

	1995	1996	1997
Unit sales	2,145	2,231	3,127
Sales revenue	\$17,520	\$22,840	\$40,800
Gross Profit	\$2,730	\$3,300	\$5,700
Gross Profit Margin	15.6%	14.4%	14%

Parts and Service. Major Auto provides parts and service primarily for the makes of new vehicles that it sells, but also services other makes of vehicles. In 1997, Major Auto's parts and service operations generated total revenues of approximately \$11,403,829, which constituted approximately 7% of Major Auto's total revenues at a gross profit margin of approximately 33%.

The increased use of electronics and computers in vehicles has made it difficult for independent repair shops to retain the expertise to perform major or technical repairs. In addition, because motor vehicles are increasingly more complex and there are longer warranty periods, Major Auto has advised the Company that it believes that repair work will increasingly be performed at dealerships, which have the sophisticated equipment and skilled personnel necessary to perform the repairs.

Major Auto has advised the Company that it considers its parts and service department to be an integral part of its customer service efforts and a valuable opportunity to strengthen customer relations and deepen customer loyalty. Major Auto attempts to notify owners of vehicles purchased at its dealerships when their vehicles are due for periodic service, thereby encouraging preventative maintenance rather than post-breakdown repairs.

Major Auto's parts and service business provides a stable, recurring revenue stream to its dealerships. In addition, Major Auto has advised the Company that it believes that, to a limited extent, these revenues are countercyclical to new vehicle sales, since vehicle owners may repair their existing vehicles rather than purchasing new vehicles. Major Auto has advised the Company that it believes that this helps mitigate the effects of a downturn in the new-vehicle sales cycle.

Major Auto does not operate a body shop, but instead contracts with third parties for body repair work.

The following table sets forth, for the periods shown, information with respect to Major Auto's sales of parts and services:

### SALES OF PARTS AND SERVICES

(dollars in thousands)

	1995	1996	1997
Sales revenue	\$11,070	\$12,150	\$11,400
Gross Profit	\$ 3,450	\$ 3,270	\$ 3,750
Gross Profit Margin	31.2%	26.9%	33%

Vehicle Financing. Major Auto provides a wide variety of financing and leasing alternatives for its customers. Major Auto has advised the Company that it believes that its customers' ability to obtain financing at its dealerships significantly enhances Major Auto's ability to sell new and used vehicles. Major Auto has advised the Company that it believes that its ability to provide its customers with a variety of financing options provides Major Auto with a competitive advantage over many of its competitors, particularly smaller competitors that do not have sufficient sales volumes to attract the diversity of financing sources available to Major Auto.

## USED VEHICLE SALES

(dollars in thousands)

	1995	1996	1997
Unit sales	2,145	2,231	3,127
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The following table sets forth, for the periods shown, information with respect to Major Auto's sales of parts and services:

## SALES OF PARTS AND SERVICES

(dollars in thousands)

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gives General Motors a right of first refusal to purchase such dealership, which means that whenever Major Auto proposes to sell its Chevrolet dealership, it must first offer General Motors the opportunity to purchase that dealership.

The dealership agreement that the Company will enter into with General Motors upon completion of the Major Auto Acquisition will impose several additional restrictions on the Company. Following the completion of the Major Auto Acquisition, the Company's Chevrolet franchise, and any other General Motors' franchises that the Company may subsequently acquire, could be at risk if: (i) any person or entity acquires more than 20% of the Company's voting stock with the intention of acquiring additional shares or effecting a material change in the Company's business or corporate structure; or (ii) if the Company takes any corporate action that would result: (a) in any person or entity owning more than 20% of the Company's voting stock for a purpose other than passive investment; (b) an extraordinary corporate transaction such as a merger, reorganization, liquidation or transfer of assets; (c) a change in the control of the Company's Board of Directors within a rolling one-year period; or (d) the acquisition of more than 20% of the Company's voting stock by another automobile dealer or such dealer's affiliates. If General Motors determines that any of the actions described in the preceding sentence could have a material or adverse effect on its image or reputation in the General Motors' dealerships or be materially incompatible with General Motors' interests, the Company must either (x) transfer the assets of the General Motors' dealerships to General Motors or a third party acceptable to General Motors for fair market value or (y) demonstrate that the person or entity will not own 20% of the Company's voting stock or that the actions in question will not occur.

In addition, the General Motors dealer agreement will require that the Company comply with General Motors' Network 2000 Channel Strategy ("Project 2000"). Project 2000 includes a plan to eliminate 1,500 General Motors dealerships by the year 2000, primarily through dealership buybacks and approval by General Motors of inter-dealership acquisitions, and encourages dealers to align General Motors divisions' brands as may be requested by General Motors. The dealer agreement will require that the Company bring any General Motors dealership into compliance with the Project 2000 plan within one year of the acquisition. Failure to achieve such compliance may result in termination of the dealer agreement and a buyback of the related dealership assets at book value by General Motors. The Company believes that Major Auto's Chevrolet dealership currently complies with the Project 2000 guidelines.

The Company has also agreed that its dealerships offering new vehicles manufactured by General Motors will not attempt to sell new vehicles of other manufacturers.

New York law, and many other states' laws, limit manufacturers' control over dealerships. In addition to various other restrictions imposed upon manufacturers, New York law provides that notwithstanding the terms of the dealer agreement with the relevant manufacturer, the manufacturer may not: (i) except in certain limited instances, terminate or refuse to renew a dealership agreement except for due cause and with prior written notice; (ii) attempt to prevent a change in the dealer's capital structure or the means by which the dealer finances dealership operations; or (iii) unreasonably withhold its consent to a dealer's transfer of its interest in the dealership or fail to give notice to the dealer detailing its reasons for not consenting.

Major Auto has solicited the consents of the relevant manufacturers to the Major Auto Acquisition and the change of control of the respective dealerships to result therefrom. To date, Major Auto has received the consent of Subaru Distributors Corp., with respect to the Subaru dealership, and General Motors, with respect to the Chevrolet dealership, and is awaiting the consent of Chrysler Corporation, with respect to the Chrysler, Plymouth, Dodge, Jeep and Eagle dealerships.

#### *Competition*

The market for new and used vehicle sales in the New York metropolitan area is one of the most competitive in the nation. In the sale of new vehicles, Major Auto competes with other new automobile dealers that operate in the New York metropolitan area. Some competing dealerships offer some of the same makes as Major Auto's dealerships and other competing dealerships offer other manufacturer's vehicles. Some competing new vehicle dealers are local, single-franchise dealerships, while others are multi-franchise dealership groups. In the sale of used vehicles, Major Auto competes with other used vehicle dealerships and with new vehicle dealerships which also sell used cars that operate in the New York metropolitan area. In addition, Major Auto competes with used car "superstores" that have inventories that are larger and more varied than Major Auto's.

Major Auto has advised the Company that it believes that the principal competitive factors in vehicle sales are the marketing campaigns conducted by automobile manufacturers, the ability of dealerships to offer a wide selection of popular vehicles, pricing (including manufacturers' rebates and other special offers), the location of dealerships, the quality of customer service, warranties and customer preference for particular makes of vehicles. Major Auto believes that its dealerships are competitive in all of these areas.

In addition, Major Auto, due to the size and number of automobile dealerships it owns and operates, is larger than the independent operators with which it competes. Major Auto's size has historically permitted it to attract experienced and professional sales and service personnel and has provided it the resources to compete effectively. However, as the Company enters other markets, it may face competitors that are larger and that have access to greater resources.

Major Auto has advised the Company that it believes that its principal competitors within the New York metropolitan area are United Auto Group, a publicly traded company, and Potamkin Auto Group, Burn's Auto Group and Auto-Land, each of which is privately held.

#### *Governmental Regulation*

Automobile dealers and manufacturers are subject to various Federal and state laws established to protect consumers, including the so-called "Lemon Laws" which require a dealer or manufacturer to replace a new vehicle or accept it for a full refund within a specified period of time, generally one year, after the initial purchase if the vehicle does not conform to the manufacturer's express warranties and the dealer or manufacturer, after a reasonable number of attempts, is unable to correct or repair the defect. Federal laws require that certain written disclosures be provided on new vehicles, including mileage and pricing information. In addition, Major Auto's financing activities are subject to certain statutes governing credit reporting and debt collection.

The imported automobiles purchased by Major Auto are subject to United States custom duties and, in the ordinary course of its business, Major Auto may from time to time be subject to claims for duties, penalties, liquidated damages or other charges. Currently, United States customs duties are generally assessed at 2.5% of the customs value of the automobiles imported, as classified pursuant to the Harmonized Tariff Schedule of the United States.

As with automobile dealerships generally, and parts and service operations in particular, Major Auto's business involves the use, handling and contracting for recycling or disposal of hazardous or toxic substances or wastes, including environmentally sensitive materials such as motor oil, waste motor oil and filters, transmission fluid, antifreeze, freon, waste paint and lacquer thinner, batteries, solvents, lubricants, degreasing agents, gasoline and diesel fuels. Accordingly, Major Auto is subject to Federal, state and local environmental laws governing health, environmental quality, and remediation of contamination at facilities it operates or to which it sends hazardous or toxic substances or wastes for treatment, recycling or disposal. Major Auto has advised the Company that it believes that it is in material compliance with all environmental laws and that such compliance will not have a material adverse effect on its business, financial condition or results of operations.

#### **Computer Telephony and Telecommunications Division**

The Company, through Computer Business Sciences, Inc., a New York corporation ("Computer Business Sciences"), 786710 Ontario Limited, an Ontario corporation doing business as Info Systems, Inc. ("Info Systems"), C.B.S. Computer Business Sciences Ltd., an Israeli corporation ("Computer Business Sciences (Israel)"), and Reynard Service Bureau, Inc., a Florida corporation ("Reynard"), the four wholly-owned subsidiaries comprising its Computer Telephony and Telecommunications division, currently develops, manufactures, markets, sells and services two product lines. The first product line utilizes "Talkie" technology, which consists of proprietary computer software and hardware that (i) permits end users of the technology to place long-distance international telephone calls at discounted rates and (ii) offers end users a broad range of interactive voice response applications such as voice-mail, automatic receptionist, automated order entry, conference calling and faxing. The second product line, "Business Control Software," is a proprietary computer software system that provides multi-lingual general accounting and business management applications.

The Company is planning to exploit its technological capabilities in telephony by emphasizing high speed, broadband, multimedia transmission over telephone, including voice, data, videoconferencing and other areas. Additionally, the Company is developing a mobile satellite technology in connection with the Israel Aircraft Industry's ELTA division which is expected to allow passengers on automobiles, trains and buses to receive high quality broadcast television and interactive broadband multimedia internet service (see "Computer Telephony and Telecommunications Division -- Planned Activities").

The Company originally acquired the technology for its telecommunications products (see "Talkie" below) in April 1996 through its acquisition from Dr. Zvi Barak and Sarah Barak of all of the issued and outstanding stock of Info Systems. A portion of the purchase price for such stock consists of twenty monthly installment payments of \$15,000 from the Company to the Baraks. In order to secure such installment payments, the Company has granted a security interest to the Baraks in the stock of Info Systems and the other assets purchased by the Company from the Baraks. The monthly installment payments commenced in September 1996 and are scheduled to continue through June 1998. To date, the Company has withheld \$85,000 of such installment payments as collateral for the Barak's obligation to make certain indemnification payments to the Company. The Company has agreed to pay the Baraks the \$85,000 by July 1998.

#### Talkie

"Talkie" is the trademark for, and the name used by the Company to describe, the technology relating to the Company's telephonic and interactive voice response software applications. The Company has three products that use Talkie technology. The first product, the "Talkie Power Web Line Machine," is a computer based telephone "switch" that enables small or start-up telephone companies to purchase blocks of international telephone calling time from suppliers such as AT&T and MCI and resell the time in smaller units to callers at discounted rates. The second product is a group of related telephonic and interactive voice response software programs, such as voice-mail, automatic receptionist, automated order entry, and conference calling and facsim. The third product, called "Talkie-Globe," is an international call-back, debit card and long-distance reselling system.

The Talkie Power Web Line Machine is a programmable electronic telephone switch based on personal computer technology. It consists of a proprietary software program, and hardware components most of which are available from a number of different sources. The machine currently contains 96 channels, but may be expanded to carry up to 120 channels. Each channel provides 43,200 available minutes of telephone time per 30-day month that may be sold. As is typical of the industry utilization of available telephone time, approximately 30%-40% of these available minutes are actually sold. Of the 43,200 available minutes, approximately 10,560 are considered peak time (defined to be the 480 minutes comprising the typical eight-hour work day in the destination country and assuming 72 work days in the typical 30-day month) and the balance are considered off-peak time, however the determination of actual peak minutes in a destination country is based upon demand for calling time, which in turn is based upon such factors as calling patterns and the differences in time zones between the country from which a call is placed and the destination country. Peak minutes are generally able to be sold at higher rates than off-peak minutes.

The Talkie Power Web Line Machine includes an integrated programmable telephone call switching system known as the Talkie Web Smart Switch. The programmability of this switching system allows the machine to handle a variety of international telephone-based services including resale of long-distance telephone time the Company purchases in bulk, international call-back services (described below), telemarketing, Internet access and facsimile transmission.

Historically, the Company, through its subsidiary Computer Business Sciences, sold the Talkie Power Web Line Machines to various service providers (known as "master agents"). A master agent then established a telephone connection between a foreign country and the Talkie Power Web Line Machine, which is located at the Company's offices in Kew Gardens, New York. This connection is typically a dedicated telephone line that runs from the Talkie Power Web Line Machine to certain equipment located in the foreign country that is used to connect the dedicated line to the local telephone lines. The master agent typically leased the dedicated telephone line, which has a specific capacity for simultaneous calls, from MCI Communications Corp. or Sprint Corporation for a fixed monthly fee. Callers in the foreign country place a local call to the dedicated telephone line and are provided a United States dial tone by the Talkie Power Web Line Machine. The caller then dials the number for the desired destination and the call is carried over the dedicated telephone line to the

Under the terms of its master agent agreement, the Agent (i) paid Computer Business Sciences a deposit of \$629,000 at the time the agreement was executed toward the purchase of the 15 machines that the Agent is obligated to purchase and (ii) issued to Computer Business Sciences 45% of its then issued and outstanding common stock. In return, (i) the Company issued to the Nisako Principals, including Yossi Koren, who subsequently became a director of the Company, its securities, to acquire an aggregate of 750,000 shares of the Company's Common Stock at an exercise price of \$1.25 per share (the "Class B exercisable through the date that is 60 days after the effectiveness of any public offering of the Company's securities, to acquire an aggregate of 750,000 shares of the Company's Common Stock at an exercise price of \$1.25 per share (the "Class B A Warrants") and (ii) warrants, exercisable through March 19, 1998 (which have since expired by their terms), to acquire an aggregate of 750,000 shares of the Company's Common Stock at an exercise price of \$1.25 per share (the "Class B A Warrants") and (ii) warrants, exercisable through March 19, 1998 (which have since expired by their terms), to acquire an aggregate of 750,000 shares of the Company's Common Stock at an exercise price of \$1.25 per share (the "Class B A Warrants") and (ii) Computer Business Sciences agreed to make a \$10,000 contribution to the capital of the Agent upon its purchase of each of the first 15 machines. Certificates evidencing the Class A Warrants and the Class B Warrants have not yet been issued. (See "Restructuring of Nisako Arrangements" below.)

To secure certain payments under the master agent agreement with the Agent, Bruce Bendell, the Company's Chairman, and Doran Cohen, the Company's Chief Executive Officer, President and Treasurer, have each pledged to the Agent 500,000 shares of the Company's Common Stock. In the event that certain financial covenants are not met or superseded by definitive documentation resulting from the MOU (as hereinafter defined), the Nisako Principals will have the right to foreclose on the pledged Common Stock.

If the proceeds of liquidating the pledged shares are sufficient to cover the deficit, the Nisako Principals will be required to transfer to Mr. Bendell and Mr. Cohen in equal shares the remaining 55% of the Agent's issued and outstanding common stock. Messrs. Bendell and Cohen have agreed that upon receipt of that stock, they will transfer it to the Company in exchange for reimbursement by the Company for the market value of their shares of the Company's Common Stock foreclosed upon by the Nisako Principals.

#### *Restructuring of Nisako Arrangements*

The Company has entered into a Memorandum of Understanding (the "MOU") with the Agent, the Nisako Principals, and with the remaining limited partner of Nisako, Robert L. Rumberg. The transactions contemplated by the MOU are conditioned on the consummation of the Major Auto Acquisition. The MOU provides that: (i) Nisako will transfer to the Agent, and the Agent will assume, all of the assets and liabilities of Nisako, and (ii) Computer Business Sciences will acquire all of the issued and outstanding shares of common stock of the Agent in a tax-free reorganization. Upon execution of the MOU, an aggregate \$653,750 deposit that the Nisako Principals and Mr. Rumberg had previously paid towards the exercise price of the Class A Warrants was converted to a partial exercise of the Class A Warrants. Upon such conversion, the Company issued an aggregate of 523,000 shares of its Common Stock to the Nisako Principals and Mr. Rumberg, 173,583 of which were issued to Yossi Koren, a director of the Company. Permitted resales will be expressly subject to such voting rights of Bruce Bendell who holds a proxy to vote 500,000 of these shares during the two-year restriction period. Subsequently, the parties agreed to remove the contractual two-year restriction on sales of these shares to make such restriction consistent with current restrictions under the Securities Act of 1933.

The MOU provides that upon execution of definitive documentation containing the terms and conditions outlined in the MOU, (i) each of the Nisako Principals will receive 257,500 shares of the Company's Common Stock and Mr. Rumberg will receive 27,500 shares of the Company's Common Stock, resales of all of which shares will be subject to restrictions on transfer and voting that are identical to those described immediately above, and (ii) each of the Nisako Principals will receive warrants to acquire up to 68,917 shares of the Company's Common Stock, in each case for \$1.25 per share. Such warrants represent the up to 20,250 shares of the Company's Common Stock, in each case for \$1.25 per share. Such warrants represent the unexercised balance of the Class A Warrants remaining after the conversion of the \$653,750 partial payment into a partial exercise as described above.

Nisako Jewelry Trading, Inc. ("NJT"), a company 33-1/3% owned by Mr. Koren, has entered into agreements for the Agent's benefit with MCI, Sprint and Bell Atlantic (formerly NYNEX). These agreements provide for the purchase by NJT



Under the terms of its master agent agreement, the Agent (i) paid Computer Business Sciences a deposit of \$629,000 at the time the agreement was executed toward the purchase of the 15 machines that the Agent is obligated to purchase and (ii) issued to Computer Business Sciences 45% of its then issued and outstanding common stock. In return, (i) the Company issued to the Nisako Principals, including Yosei Koren, who subsequently became a director of the Company, (a) warrants, exercisable through the date that is 60 days after the effectiveness of any public offering of the Company's securities, to acquire an aggregate of 750,000 shares of the Company's Common Stock at an exercise price of \$1.25 per share (the "Class A Warrants") and (b) warrants, exercisable through March 19, 1998 (which have since expired by their terms), to acquire an aggregate of 750,000 shares of the Company's Common Stock at an exercise price of \$1.25 per share (the "Class B Warrants") and (ii) Computer Business Sciences agreed to make a \$10,000 contribution to the capital of the Agent upon its purchase of each of the first 15 machines. Certificates evidencing the Class A Warrants and the Class B Warrants have not yet been issued. (See "Restructuring of Nisako Arrangements" below.)

To secure certain payments under the master agent agreement with the Agent, Bruce Bendell, the Company's Chairman, and Doron Cohen, the Company's Chief Executive Officer, President and Treasurer, have each pledged to the Agent 500,000 shares of the Company's Common Stock. In the event that certain financial covenants are not met or superseded by definitive documentation resulting from the MOU (as hereinafter defined), the Nisako Principals will have the right to foreclose on the pledged Common Stock.

If the proceeds of liquidating the pledged shares are sufficient to cover the deficit, the Nisako Principals will be required to transfer to Mr. Bendell and Mr. Cohen in equal shares the remaining 55% of the Agent's issued and outstanding common stock. Messrs. Bendell and Cohen have agreed that upon receipt of that stock, they will transfer it to the Company in exchange for reimbursement by the Company for the market value of their shares of the Company's Common Stock foreclosed upon by the Nisako Principals.

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The MOU provides that upon execution of definitive documentation containing the terms and conditions outlined in the MOU, (i) each of the Nisako Principals will receive 257,500 shares of the Company's Common Stock and Mr. Rumberg will receive 27,500 shares of the Company's Common Stock, resales of all of which shares will be subject to restrictions on transfer and voting that are identical to those described immediately above, and (ii) each of the Nisako Principals will receive warrants to acquire up to 68,917 shares of the Company's Common Stock and Mr. Rumberg will receive warrants to acquire up to 20,250 shares of the Company's Common Stock, in each case for \$1.25 per share. Such warrants represent the unexercised balance of the Class A Warrants remaining after the conversion of the \$653,750 partial payment into a partial exercise as described above.

Nisako Jewelry Trading, Inc. ("NJT"), a company 33-1/3% owned by Mr. Koren, has entered into agreements for the Agent's benefit with MCI, Sprint and Bell Atlantic (formerly NYNEX). These agreements provide for the purchase by NJT

on behalf of the Agent of telephone time or transmission lines. The MOU provides that the Company will indemnify NJT against any liability it may incur under these agreements and will place 200,000 shares of its Common Stock into an escrow account to secure this indemnification obligation.

Upon the effectiveness of the definitive documentation relating to the transactions contemplated by the MOU the Agent's master agent agreement will terminate and the pledge by each of Mr. Bendell and Mr. Cohen of 500,000 shares of the Company's Common Stock, referred to above, will be released.

It is the Company's intention to reacquire the territorial rights and Talkie Power Line Web Machines from its other master agents in exchange for shares of Common Stock at fair value. The Company has reached tentative agreement with each such agent and is presently negotiating definitive memoranda of understanding.

#### *Interactive Voice Response Software Programs*

The second product group, interactive voice response software programs, consists of the following applications:

**Talkie-Ad:** permits callers to browse through pre-recorded messages based on their search criteria, similar to a talking classified ad.

**Talkie-Attendant:** automated receptionist features, including dial "0" for operator, name directories, call blocking, call screening, music or company messages while on hold, paging, personalized menus, call queuing and conversation recording.

**Talkie-Audio:** delivers pre-recorded information in response to telephone inquiries and can serve as a talking bulletin board.

**Talkie-Conference:** permits the user to schedule a conference call and then, when the conference call is to occur, either calls the participants or permits them to dial in, and provides the chairperson with various options during the call.

**Talkie-Dial:** places a telephone call, using a user-supplied list of telephone numbers and delivers voice information with the capability of asking questions, accepting answers and updating the system to reflect the answers.

**Talkie-Fax:** permits the user to program a facsimile into the system and transmit it to a user-supplied list of numbers and permits users to transmit to callers upon their request written information programmed into the system such as directions, product information, price lists or news releases.

**Talkie-Form:** permits the user to set up a questionnaire and collect answers to pre-recorded questions.

**Talkie-Mail:** permits the user to record, send, receive and retrieve voice messages from personal mailboxes.

**Talkie-Query:** responds to callers' inquiries using information stored in the system database.

**Talkie-Trans:** accepts orders, issues orders (including delivery instructions) and faxes order confirmations.

Users of the Talkie interactive voice response system can also customize the foregoing applications to create new applications using Talkie-Gen, which is an application generator that uses a simple programming language.

In addition to the applications listed above, users may also purchase any of the following off-the-shelf applications:

**Talkie-Dating:** permits the user to supply a dating service that will permit the user's customers to place and browse through personal ads, register for service and record and listen to messages.

**Talkie-Follow-Me:** permits the user to supply a telephone tracking service that enables the user's customers to obtain a single telephone number that will continually forward incoming calls to a user-defined series of telephone numbers (such

as work, cellular, home, pager and voice-mail).

Talkie-Wake-Up/Reminder: permits the user to supply a wake-up or reminder service that will call a user supplied number with a user-supplied message at a specified time.

All of the Talkie interactive voice response applications operate in up to nine languages.

Info Systems also provides customers with industry-specific and customized applications of its interactive voice response technology. For example, Info Systems has developed a product called Talkie AutoCom for use by automobile dealers. See "Automotive Sales Division-Operating Strategy."

The Talkie interactive voice response software package is sold by the Company through Info Systems, its wholly-owned Canadian subsidiary.

Talkie-Globe, the trademark for, and the name used by the Company to describe, its third telecommunications product, is a software-based integrated call-back, debit-card and long-distance reselling system and includes all of the Talkie interactive voice response software programs. Typically, international callers based in countries where the telephone system is a state-owned monopoly must pay high per-minute rates fixed by the state-owned company. One method of securing a lower rate is the "call-back" system offered by Info Systems' Talkie-Globe. Using Talkie-Globe, the foreign caller first places a telephone call from the foreign country to the United States or Canadian telephone number where the Talkie-Globe system is located and hangs up without the call being connected so that no charge is assessed for the call. Talkie-Globe recognizes the telephone number from which the foreign call was placed and then places a call to that telephone number from the location in the United States or Canada where the Talkie-Globe system is located to the foreign caller and provides the foreign caller with a dial tone. The foreign caller then places a telephone call through the United States or Canada to the desired destination. The foreign caller thus pays for two calls: (i) the call back from the Talkie-Globe system located in the United States or Canada to the caller in the foreign market and (ii) the call that the caller places through the United States or Canada to the desired destination. The sum of the costs of the two calls placed from the Talkie-Globe system located in the United States or Canada will be lower than the cost of a single call placed directly from the applicable foreign market to the desired destination. The Talkie-Globe system also has a debit card feature, which permits a caller to purchase a stated value of calling time, and debits that value as the caller uses the prepaid calling time.

Talkie-Globe is sold by the Company through Info Systems, its wholly-owned Canadian subsidiary.

#### *Business Control Software*

The Company's business control software is an interconnected series of accounting and business management software applications that includes the following systems: general ledger, accounts receivable, accounts payable, sales order, purchase order, inventory control, bills of materials, job costing and production control. The business control software can assist users, among other things, to define market trends, analyze sales force effectiveness, determine the profitability of a job, department or company, or determine a geographical sales spread. One of the software's principal features is its ability to process information in multiple currencies. For example, a Japanese distributor transacting business in France and Italy can use the software to maintain data relating to sales, purchases and costs in French francs and Italian lire and to generate reports in Japanese yen (or in several multiple currencies simultaneously) while automatically posting currency exchange rates. In addition, the business control software is a multi-lingual system of software applications that permits multiple users, each selecting a different language, to access simultaneously a common database.

The business control software sold by the Company is sold through Info Systems, its wholly-owned Canadian subsidiary.

#### *Marketing and Sales*

From inception through December 31, 1997, the Company sold 21 Talkie Power Web Line Machines to six master agents. The aggregate amount of gross revenues resulting from these sales is \$4,865,493, which accounts for approximately 66.7% of the Company's total revenues since its inception. The Company's gross profit margin on sales of the Talkie Power

The Company advertises its Talkie interactive voice response software programs and Talkie-Globe in telephone and telecommunications industry trade publications. In addition, Info Systems attends telephone and telecommunications industry trade shows, which has resulted in reviews of these products in trade publications.

The Company is not currently allocating resources to market its Business Control Software, but performs software service contracts and provides annual program updates to the program's users.

#### *Planned Activities*

The Company is seeking to expand its operations in the area of telephony by building a multimedia, carrier class, broadband network that will be carried over currently deployed, twist pair copper facilities which support most existing home and business telephone functions. The initial trial rollout, Phase I, presently projected for the third quarter of 1998, targets twenty-two cities and expands to sixty-three cities by the end of that year.

Phase I, using an asynchronous transport mode ("ATM") technology, is expected to offer guaranteed quality of service, carrier class-level voice over internet ("Voice/IP") long distance service at aggressively competitive rates. Phases II and III of this enterprise, utilizing state-of-the-art digital subscriber line ("DSL") equipment, are expected to provide a wide array of Voice/IP services including local dial tone, call-back, dial-around, traditional long distance and high speed internet access. Additionally, because this technology permits broadband service over existing copper wires, the Company is planning to offer, at very competitive prices, additional services such as virtual private networks ("VPN"), movies on demand and pay TV, home shopping, banking, telemarketing, tele-medicine, video conferencing and distance learning.

Additionally, in April 1998, the Company signed a memorandum of understanding with ELTA Electronics Industries Ltd. ("ELTA"), a division of Israel Aircraft Industries, to form a joint venture to develop a commercial Mobile Interactive Satellite Receiving Terminal (MIST) system for use onboard public, private and commercial transportation, including automobiles, trains and buses, among others. As part of the agreement, the Company will retain a 50 percent stake in the joint venture.

Once complete, the MIST system is expected to allow passengers to receive high quality broadcast television and interactive broadband multimedia internet service through the use of Direct Broadcast Satellites. The information will then be routed through a video Integrated Receiver and Decoder which will decompress video signals once received and transmit them to a TV monitor or PC. Passengers would then use a control panel to select from a variety of viewing options.

Each system is expected to also include a cellular and/or commercial satellite telephone system utilizing the Company's proprietary routing and switching technology. Passengers would then use multi-purpose communications terminals located on the vehicle to receive over 150 television channels, internet and cellular service at affordable prices.

No assurance can be given that the Company will be successful in developing the foregoing products or services, or that if successfully developed, such products or services will result in revenues to the Company.

#### *Research and Development*

The Company's wholly-owned subsidiary Computer Business Sciences (Israel) engages in research and development (i) to improve its existing telecommunications software, and to adapt the software to changing personal computer environments, (ii) to expand the software to new uses and (iii) to develop new software, products and applications. Computer Business Sciences (Israel) is headed by Dr. Zvi Barak, who was responsible for the development of the Talkie technology and related Talkie products and of the business control software.

The Company spent no money on research and development in 1995 with respect to its Computer Telephony and Telecommunications division and spent approximately \$332,000 and \$207,000 on research and development in 1996 and 1997, respectively, with respect to such division.

## *Intellectual Property*

The Company has registered the name "Talkie" as a trade-mark in Canada. The Company has filed applications with the United States Patent and Trademark Office to register the names "Talkie" and "Talkie-Globe" and "BCS Software" as trademarks in the United States. As an additional method of protecting its proprietary technology, the Company requires that all of the Talkie Power Web Line Machines that it sells remain at the Company's offices in Kew Gardens, New York and that all installation, service and maintenance of the machines be performed solely by the Company. The Company also relies on trade secret protection, confidentiality agreements and other laws to protect its technology, but believes that these rights may not necessarily prevent third parties from developing or using similar or related technology to compete against the Computer Telephony and Telecommunications division's products.

## *Competition*

The Company knows of no person or company that offers a product that is a feature-for-feature competitor to the Talkie Power Web Line Machine. While other companies manufacture and sell traditional telephone switching equipment, such equipment is expensive to purchase and maintain as compared to the Talkie Power Web Line Machine. Moreover, the proprietary nature of the Talkie Power Web Line Machine's software program provides the Company a significant head start over a potential competitor who wishes to develop a competing product.

Associates competes, and the Company will compete, with other providers of international telephone service. The market for international telephone service is highly competitive. In addition to the major service providers such as AT&T, MCI and Sprint, there are numerous smaller service providers as well as resellers, who do not own and operate equipment but purchase telephone time from service providers at a discount and resell that time to the public. The Company believes that a primary competitive factor in the industry is pricing. Because Associates uses the Talkie Power Web Line Machine, which is less costly to purchase and maintain than traditional switching equipment, Associates is able to offer telephone calling time at lower rates than competitors whose rate structure must account for the higher cost of such traditional switching equipment. In addition, because the Talkie Power Web Line Machine is able to process both data as well as voice, Associates is able to offer Internet access, which relatively few of its competitors offer. However, Associates and the other master agents presently face, and the Company may face, increasing competition as a result of deregulation in foreign countries, which could result in competition from other service providers with large, established customer bases and close ties to governmental authorities in their home countries and decreased prices for direct-dialed international calls. Master agents' customers may no longer be willing to use the master agents' or the Company's services, which would adversely affect the Company's ability to sell the Talkie Power Web Line Machine and/or limit the Company's gross margins on phone services sold for its own account and, thereby, reduce the Company's income.

The Company's Talkie interactive voice response software programs compete with products sold by approximately two dozen entities in North America, including AT&T, Northern Telecom and others. However, in the more limited market for industry-specific and custom interactive voice response applications, the Company knows of only one direct competitor. The Company's Talkie-Globe system competes with telephone callback products sold by approximately 6 other entities.

As a result of its reliance on the Company's proprietary software rather than hardware components to operate, the purchase price and maintenance costs of the Company's Talkie interactive voice response software programs and Talkie-Globe are believed to be generally lower than those of competing products. In addition, because software is easier to alter than hardware components, the Company is able to customize its products or modify its products to incorporate changing technology more quickly and at a lower cost than its competitors.

Notwithstanding the Company's competitive advantages however, many of the producers of products competitive with the Company's, and companies wishing to enter the market in which the Company's products compete, have well established reputations, customer relationships and marketing and distribution networks. Many also have greater financial, technical, manufacturing, management and research and development resources than those of the Company, may be more successful than the Company in manufacturing and marketing their products and may be able to use their greater resources and to leverage existing relationships to obtain a competitive advantage over the Company.

## **Leasing Division**

In October 1996, the Company acquired all of the issued and outstanding shares of stock of Major Fleet & Leasing Corp. ("Major Fleet"). Major Fleet has historically provided lease financing solely for motor vehicles. The Company intends to expand the operations of Major Fleet to provide lease financing to purchasers of the Talkie Power Web Line Machine.

Major Fleet typically arranges for sale or lease to its customers of new or used vehicles of all makes and models. Major Fleet will purchase the desired vehicle from an automobile dealer and either resell it to its customer for a markup over its cost, or lease the vehicle to the customer and provide the related lease financing. If a customer of Major Fleet wants to purchase or lease a new vehicle that is available from one of Major Auto's dealerships, in almost all cases, Major Fleet will acquire the vehicle from Major Auto and then resell or lease it to its customer. Major Fleet estimates that it acquires approximately 50% of the vehicles it sells and leases from Major Auto.

In most instances, Major Fleet will broker vehicle finance contracts for, or assign its leases to, third parties instead of directly financing vehicle sales or leases. This minimizes the credit risk to which Major Auto is exposed. In these instances, Major Fleet typically receives a finance fee or commission from the third party who provides the financing. In certain instances, Major Fleet directly finances the lease of a vehicle. When Major Fleet provides lease financing, it bears the credit risk that its customers will default in the payment of the lease installments. In order to minimize its risk of loss, Major Fleet carefully evaluates the credit of its lease customers. It also requires that its lease customers have adequate collision and liability insurance on the leased vehicle and that Major Fleet be named as loss payee and additional insured on the customer's collision and liability insurance policies. Major Fleet does not finance the purchase of the vehicles, so if a customer desires purchase financing, the customer will need to obtain financing from a third party, however, as discussed above, Major Fleet will broker financing contracts.

## **Plastics and Utility Products Division**

The Company, through its subsidiary Premo-Plast, Inc. ("Premo-Plast"), presently the only company in its Plastics and Utility Products division, is currently conducting research and development with respect to two products lines: (i) a line of spa and bath fixtures for use in whirlpool baths, spas, tubs and swimming pools and (ii) an armored conduit system for use by utility companies.

### *Spa Fixtures*

Premo-Plast has been engaged in research and development related to a line of fixtures to be placed through the walls of water containers such as spa tubs. To date, the Company has focused its research on fixtures such as the jets used to introduce water mixed with air bubbles into a whirlpool bath, spa or tub and has designed and developed prototypes of such fixtures.

The construction of a whirlpool bath, spa or tub is typically a large thin-walled shell (most often fiberglass coated plastic), through which protrude a number of fixtures such as air and water jets. Inserting these fixtures requires two workers. First, the "inside" worker drills a pilot hole where the fixture is to be inserted. Then, the "outside" worker drills a much larger hole to clear the mounting thread on the fixture, and at the same time smooths an area on the rough outside wall of the spa and the hole in order to allow a tight seal to the washer that will surround the hole when the fixture is installed. Next, the inside worker places a sealing washer on the shaft of the fixture and inserts the shaft through the drilled hole. The outside worker places a second washer on the outside end of the fixture and applies silicone sealant (or, in some cases, applies silicone sealant without a second washer), and adds a retaining nut to secure the assembly. The inside worker must steady the fixture from the inside of the spa, while the outside worker tightens the nut from the outside. The degree of tightness is critical, as too much tightening will squeeze out the silicone sealant, and too little will result in a weak seal. Either condition will cause

a leak. Once the nut is tightened, the fixture must set in place, undisturbed, for several hours to permit the silicone to harden and form a water-tight seal.

The Company has acquired the rights to a proprietary plumbing fixture installation method and has designed and developed a line of fixtures that enable installation in a whirlpool bath, spa or tub in a significantly less time than is normally required to install such fixtures. One person, working from inside the whirlpool bath, spa or tub, drills the pilot hole and final-size hole. Next, a rubber grommet is placed in the hole. A grommet resembles a small donut with flanges around the inside and outside; the flanges on the grommet are placed into contact with the drilled hole. Next, the worker presses the fixture into the grommated hole, which can be done from either the inside or the outside of the whirlpool bath, spa or tub. The barrel of the fixture expands the sides of the grommet against the sides of the hole, sealing the hole (by contrast to the traditional fixture, the seal takes place at the sides, not the front and back, so no sealant is required). The barrel is ribbed to prevent the fixture from being pushed back inside the whirlpool bath, spa or tub. Because there are relatively few steps involved in the Company's installation method, there is less risk of error. In addition, because no silicone sealant is used, the fixture does not need to set in place, which permits immediate use and minimizes the risk of leaks.

The Company acquired the technology for the proprietary fixture installation method through its acquisition from John Pinciario of all of his right, title and interest therein and two United States patent applications related thereto. The Company and Mr. Pinciario will participate jointly in exploitation of the fixture installation method. In October 1997, the Company formed a new subsidiary, whose shares are owned 80% by the Company's existing subsidiary Premo-Plast and 20% by Mr. Pinciario.

#### *Status of Development of Spa Fixtures*

Since its acquisition of the technology relating to the fixture installation method, the Company has further developed that technology and has designed and produced working prototypes of the various fixtures for use in connection with such method. The Company is currently testing the prototype fixtures and installation method. In addition, the Company has finalized a limited number of components and beta testing has been completed. The Company's management expects that, given availability of the funding, the Company will begin production testing in the second quarter of 1998 and will commence commercial sales of its spa and bath fixtures by the third quarter of 1998.

#### *Company's Strategy with respect to Spa and Bath Fixture Technology*

According to industry data, approximately 250,000 whirlpool baths and spas and approximately 600,000 tubs are sold annually. Management of Premo-Plast estimates that each whirlpool bath requires approximately 3.5-4.5 fixtures and that each tub requires approximately 4-6 fixtures.

The Company's strategy with respect to the fixture technology is to establish its proprietary installation method and its fixtures as the industry standard for whirlpool baths, spas and tubs. The company has a threefold plan to implement this strategy upon its commencement of commercial production of the fixtures. First, the Company intends to expand its workforce by hiring employees, most of whom have already been identified and approached by the Company, experienced in the areas of design, production and marketing.

Second, the Company intends initially to sell its fixtures and license the right to use its installation method to several designated regional manufacturers and producers of whirlpool baths, spas and tubs. All of these manufacturers and producers were consulted by John Pinciario, from whom the Company acquired the rights to the proprietary fixture installation method and presently an employee of Premo-Plast, prior to and during the period of development of such method. All of these manufacturers and producers expressed in writing their interest in the installation method and a desire to utilize that method and the Company's fixtures once commercially available, although no one was required to do so. Among these producers is ThermoSpas, Inc., a company wholly-owned and operated by Mr. Pinciario.

Third, the Company intends to publicize its installation method and fixtures generally to the whirlpool bath, spa and tub industry and to attend major trade shows.

### *Armored Conduit*

In November 1995, shortly after its formation, the Company acquired from Progressive Polymerics, Inc. two United States patents and a Canadian patent application covering an armored conduit product. The Company is presently involved in litigation relating to the purchase price for such patents and patent application. See "Legal Proceedings." The primary application for the armored conduit is protection for underground electrical distribution lines. In many major cities electric utility companies deliver service via lines that are run through underground conduits. The underground conduit method of distribution is becoming increasingly common in other cities as the preferred method for delivering electric service to newly constructed subdivisions, replacing above-ground lines mounted on wood or metal poles.

Originally, underground conduit was made from hollow creosoted wood or transite pipe made from a mixture of asbestos and concrete. Currently, conduit is typically made from either (i) PVC duct encased in concrete, (ii) cement or concrete tubing or (iii) fiberglass tubing. Each of these types of conduit has distinct disadvantages. PVC duct becomes brittle and inflexible in cold weather, and melts and bonds to the electric wire if there is excess heat from an overload condition. Cement or concrete cracks easily during transportation and installation and, unless installed at the proper depth, as a result of above-ground vibrations and stresses. If there is a problem with a portion of a conduit system (whether PVC duct, cement, concrete or fiberglass) once installed, the entire system must be removed and replaced.

The product covered by the Company's armored conduit patents is assembled underground from prefabricated pieces that are typically two to four feet in length. Each piece consists of a pre-formed plastic shell that is filled with pourable cement. Each pre-formed shell has a rectangular cross-section, with a linear ribbed exterior and tubular interior. Each end of the pre-formed shell has an extension that can be coupled to the next section in end-to-end fashion.

Potentially, the design of the armored conduit offers several advantages over other types of conduit. First, because the armored conduit system is assembled from pre-fabricated pieces, if there is a problem with a single piece, only that piece, rather than the entire conduit system, needs to be replaced. The problem piece will be replaced with a replacement piece that has a top and bottom half. The bottom half of the replacement piece will first be put in place and coupled to the pieces on either side. The wires will then be placed in the bottom half of the interior tube. The top half of the replacement piece will then cover the wires and be coupled to the pieces on either side. Second, the linear ribs on the exterior of the pre-formed shells increase the structural strength of the shells and permit them to be interlocked when stacked for storage or shipment, thereby reducing the risk of damage. Third, the outer plastic shell of the armored conduit system protects it from water, chemicals and other elements to which underground conduit systems are exposed. As a result of all of these advantages, the armored conduit system can be expected to be more durable than existing types of conduit.

The Company has been engaged in limited research and development activities relating to the armored conduit, and expects, given the availability of funding, to pursue further research and development.

### *Research and Development*

Research and development with respect to the armored conduit technology and the spa and bath fixture technology is conducted by the Company through its wholly-owned subsidiary Premo-Plast.

The Company spent no money on research and development in 1995 with respect to its Plastics and Utility Products division and estimates that it spent approximately \$3,650 and \$33,750, respectively, in 1996 and 1997 on research and development with respect to such division. Such division currently has no customers.

### *Intellectual Property*

The Company owns two United States patents, issued in June 1993 and May 1994, respectively, relating to the armored conduit technology and also owns a Canadian patent application relating to such technology. In addition, the Company has filed two applications for a United States patent relating to the spa and bath fixtures and related installation method. The



Company is presently pursuing such applications with the United States Patent and Trademark Office. The Company has also filed two applications relating to the spa and bath fixtures and related installation method under the Patent Cooperation Treaty designating Australia, Canada, China, Japan and the European Patent Office (up to 18 countries) as recipient countries. Under such treaty, the Company will have the option to individually file separate applications in the designated countries at an appropriate future date. In addition, the Company relies on confidentiality agreements and other laws to protect its technology. The Company believes that it may be possible for third parties to develop technology that provides the same features as the Company's plastic products without infringing the Company's rights or making use of its proprietary technology.

#### *Competition*

If the Company's armored conduit is developed into a commercially viable product, it will compete with PVC duct encased in concrete, cement or concrete tubing and metal tubing, all of which are established methods. The Company's spa and bath fixtures will compete with existing types of such fixture. Because the Company's fixtures and installation method permit single-person assembly rather than the two-person assembly required by existing products and installation methods, the Company believes that use of its fixtures will result in significantly reduced assembly time and costs.

Many of the producers and distributors of products competitive with the Company's spa and bath fixtures and armored conduit may have well established reputations, customer relationships and marketing and distribution networks. They may also have greater financial, technical, manufacturing, management and research and development resources than those of the Company. While the Company believes that its spa and bath fixtures and installation method and its armored conduit will have significant advantages over existing products, the Company's competitors may be more successful than the Company in manufacturing and marketing their products and may be able to leverage existing relationships to obtain a competitive advantage over the Company.

#### **Item 2. Description of Property.**

Neither the Company nor any of its subsidiaries owns any real estate or plants. All of the operations of the Company and its subsidiaries are conducted from locations leased from unaffiliated third parties. Following the Major Auto Acquisition, the Company will own the Major Real Estate.

The Company leases approximately 6,800 square feet on two floors in Kew Gardens, New York. The lease for the floor that the Company currently uses for executive offices and to house the Teltice Power Web Line Machines consists of approximately 2,800 square feet and expires on March 31, 2001, but the Company has the option to extend the lease for one additional five-year term. The current annual rent under such lease is \$69,448.50, but will be increased by 3.5% on a compounded and cumulative basis each lease year. If the Company elects to extend such lease, the base rent for the extension period will be the greater of the base rent on March 31, 2001 at the termination of the original lease period or the then fair market rental of the premises.

The lease for the other floor in Kew Gardens, New York consists of approximately 4,000 square feet and is occupied pursuant to the terms of a sublease between Major Fleet, as lessee, and an unrelated third party, as lessor. The lease expires on January 14, 2000 and contains no renewal provisions. The current annual rent under such lease is \$73,992. Pursuant to an informal arrangement, (i) Computer Business Sciences pays such rent on behalf of Major Fleet, (ii) a portion of the leased space is used by Computer Business Sciences for additional office space and (iii) a portion of the leased space is used by Associates to operate the customer service division of its reselling operations.

The Company believes that its current facilities are suitable and adequate for its current needs, but expects to require additional facilities to accommodate its anticipated expansion.

Computer Business Sciences (Israel) leases from an unrelated third party approximately 1,517 square feet of office space in Ramatna, Israel. The lease expires on September 1, 1999, but Computer Business Sciences (Israel) has an option to renew the lease for an additional two-year period. The current annual rent under such lease is \$22,620 and will increase by 6% on July 1, 1999.

Info Systems leases from an unrelated third party approximately 1,415 square feet of office space in Downsview, North York, Canada. The lease expires on October 31, 1998, but Info Systems has an option to renew the lease for an additional two-year period. The current annual rent under such lease is \$19,810 and is not subject to escalation.

Major Subaru subleases from an unrelated third party approximately 2,500 square feet of office and automobile showroom space in Woodside, New York. This lease expires on January 31, 1999 and contains no renewal provisions. The current annual rent under such lease is \$69,457.56. Pursuant to an informal arrangement between Major Subaru and Major Fleet, Major Fleet occupies the space and pays the rental payments.

In addition, upon the consummation of the Major Auto Acquisition, the Company will have an interest in the following leases, under which Major Auto presently pays aggregate annual rental payments of \$638,000:

Major Chrysler, Plymouth, Jeep Eagle leases from an unrelated third party approximately 17,400 square feet of office and automobile showroom and storage space in Long Island City, New York. This lease expires on October 31, 2001, but Major Chrysler, Plymouth, Jeep Eagle has the option to extend the lease for one additional ten-year term.

Major Dodge leases from Bruce Bendell and Harold Bendell approximately 12,000 square feet of office and automobile showroom space in Long Island City, New York. The lease expires on December 31, 1998 and contains no renewal provisions.

Major Chrysler, Plymouth, Jeep Eagle, Major Dodge and Major Subaru lease from Bendell Realty L.L.C., a company wholly owned by Bruce Bendell and Harold Bendell, approximately 40,000 square feet in Long Island City, New York which is used as a service facility. The lease expires on December 31, 1998 and contains no renewal provisions.

The above properties that are leased from the Bendells will be acquired by Major Acquisition Corp. in connection with the Major Auto Acquisition; see "Planned Acquisition" above.

Major Auto leases from an unrelated third party approximately 2,000 square feet of lot space in Astoria, New York adjacent to the main Major Dodge showroom. This lease expired on June 30, 1997 at which time the annual rent was \$30,300. Major Auto is currently renegotiating such lease and remains in possession of the premises under an oral month-to-month lease. Major Auto does not believe that this property is material to the operation of Major Auto.

Major Chevrolet leases from an unrelated third party two adjacent automobile dealership facilities in Long Island City, New York, comprising approximately 250,000 square feet. This lease expires on February 1, 2004, but Major Chevrolet has the option to extend the lease for up to three additional five-year terms.

### Item 3. Legal Proceedings.

On November 22, 1996, the Company and its wholly-owned subsidiaries Computer Business Sciences and Info Systems filed an action in the New York Supreme Court, Queens County against Michael Maron ("Maron") and M.M. Telecom, Corp. ("MMT"). The Company and its subsidiaries are seeking damages of \$5,000,000 for breach of contract, libel, slander, disparagement, violation of copyright laws, fraud and misrepresentation. The Company and its subsidiaries allege in their complaint that Maron and MMT have violated the terms of a License and Exclusivity Agreement pursuant to which MMT guaranteed the purchase of a certain amount of Talike-Globe Software products and was granted an exclusive license to advertise the Talike-Globe product, to train customers and to provide technical support. On February 4, 1997, the defendants filed a counterclaim against the Company and its subsidiaries seeking damages of \$50,000,000 for breach of contract and violation of the Lanham Act. The defendants allege in their counterclaim that Computer Business Sciences misappropriated and altered software developed by Maron in order to prevent competition with the Company's Talike-Globe. Both parties to the litigation have filed responses to the counterclaims. The litigation is proceeding and the parties are currently in the process of discovery.

On May 7, 1997, the Company and its wholly-owned subsidiary Computer Business Sciences filed an action in the New

York Supreme Court, New York County, against Network America, Inc. ("Network"). The Company and its subsidiary are seeking damages of \$1,000,000 for breach of contract, misrepresentation, fraud and tortious interference with the Company's business and operations. The Company and its subsidiary allege in their complaint that the information and representations provided to the Company by Network, on the basis of which the Company entered into a Letter of Intent to acquire Network, were intentionally fraudulent and misleading. On August 18, 1997, Network filed an answer which denied the allegations and a counterclaim seeking damages of \$2,000,000 for the Company's alleged misappropriation of proprietary information and violation of a NonCompetition Agreement entered into by the parties to the litigation. The litigation is proceeding and the parties are currently in the process of discovery.

The Company believes that its asserted claims have merit and that there is no basis to the asserted counterclaims, and that a judgment against the Company and its subsidiaries with respect to either action would not have a material adverse effect on the Company's financial condition.

The Company has received notice of a claim by Mr. Daniel Tepper, of Los Angeles, California. Mr. Tepper had contacted the Company claiming to have acquired, through foreclosure of a security interest, 12,000 shares of its Common Stock originally issued to Progressive Polymerics International, Inc. ("PPYM") in a private placement. He requested that the Company issue certificates representing the shares in question that did not bear a legend restricting their transfer, on the basis that the shares had been held by his predecessor in interest for a length of time sufficient to allow their unrestricted resale in accordance with Rule 144 promulgated under the Securities Act. The Company was advised by counsel that it should not issue the unlegended share certificates requested by Mr. Tepper unless he showed that he acquired the relevant shares in a transaction allowing him to take advantage of his predecessor's holding period for the shares in question.

The Company's legal counsel contacted Mr. Tepper in November 1997, seeking to verify details of the claimed foreclosure in order to verify Mr. Tepper's eligibility to take advantage of his predecessor's holding period for the shares in question. Mr. Tepper never responded to that inquiry. Instead, on December 23, 1997, Mr. Tepper, acting through counsel, asserted a number of claims against the Company, including claims arising out of transactions dating back to the 1995 acquisition by the Company of the armored conduit patents. See "Description of Business-Plastics and Utility Products Division-Armored Conduit."

The Company has been advised by counsel that Mr. Tepper's claims are without merit. However, one of the allegations made by Mr. Tepper prompted an inquiry by the Company into one of the circumstances of that transaction.

On October 15, 1996 the Company, Progressive Polymerics, Inc. ("Progressive") and PPYM signed a First Amendment to the Patent Sale and Purchase Agreement (the "First Amendment") between them dated November 14, 1995. The First Amendment, which was dated September 30, 1996, settled a claim by the Company against Progressive and PPYM related to undisclosed additional development costs related to the armored conduit patents. The Company commenced litigation against Progressive and PPYM in which it sought a reduction in the purchase price for the armored conduit patents. The First Amendment changed the purchase price from \$500,000 in cash to the sum of (i) \$100,000 in cash, (ii) 160,000 shares of the Company's Common Stock and (iii) warrants to purchase a further 160,000 shares of the Company's Common Stock.

The Company was advised by the President of PPYM, Terrence Davis, prior to signing the First Amendment, that the First Amendment had been approved by a majority of the shareholders of PPYM. However, Mr. Tepper's claim included an assertion that the version of the First Amendment that PPYM's shareholders approved failed to include a provision, added just prior to signing, giving the Company the right to repurchase 80,000 of the 160,000 shares issued to PPYM.

Upon receipt of Mr. Tepper's claim, the Company contacted Mr. Davis, who confirmed on January 5, 1998 that the version of the First Amendment approved by PPYM's shareholders did not include the repurchase provision. The reason given by Mr. Davis was that, as President of PPYM, he believed he had the authority to agree to the repurchase provision on PPYM's behalf without shareholder approval.

The Company has accordingly revived its legal action that was pending against PPYM and Progressive at the time of the First Amendment, in which it sought modification of the purchase price due pursuant to the Patent Sale and Purchase Agreement with PPYM. The Company has obtained an order to show cause seeking return of the \$100,000 paid at the time

the First Amendment was signed and return of the 160,000 shares, which will effectively terminate the First Amendment.

The Company, assuming it is successful in the prosecution of the litigation as just described, will then seek to recover damages from and Progressive related to the misrepresentations concerning additional development expenditures required in connection with the patents covered by the Patent Sale and Purchase Agreement. These misrepresentations were the subject of the legal action referred to in the preceding paragraph.

**Item 4. Submission of Matters to a Vote of Security-Holders.**

None.

**PART II**

**Item 5. Market For Common Equity and Related Stockholder Matters.**

**Market Information**

On April 2, 1996, the Company's Common Stock was approved for trading on the NASDAQ OTC Bulletin Board. From the time of the listing through March 31, 1998, the high bid price was \$6.375 and the low bid price was \$3.50; quarter-end high and low bids were (as reported by Nasdaq Trading & Market Services) which quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not reflect actual transactions:

<u>Quarter Ended</u>	<u>High Bid</u>	<u>Low Bid</u>
March 31, 1998	\$4.625	\$4.00
December 31, 1997	\$5.375	\$4.00
September 30, 1997	\$4.375	\$3.50
June 30, 1997	\$5.50	\$4.00
March 31, 1997	\$6.375	\$3.625
December 31, 1996	\$4.875	\$3.75
September 30, 1996	\$4.75	\$3.50
June 30, 1996	\$5.00	\$4.00

#### Shareholders

As of April 7, 1998 there were 261 holders of record of the Company's Common Stock.

#### Dividends

The Company has never declared dividends on any class of its securities and has no present intention to declare any dividends on any class of its securities in the future.

#### Recent Sales of Unregistered Securities

The securities described below of the Company were sold by the Company during 1997 without being registered under the Securities Act. All such sales made in reliance on Section 4(2) of the Securities Act were, to the best of the Company's knowledge, made to investors that, either alone or together with a representative that assisted such investor in connection with the applicable investment, had such sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks connected with the applicable investment.

1. In January 1997, in connection with an informal consulting agreement between the Company and Ronald Premo, the Company issued to Mr. Premo, 7,500 shares of Common Stock. The consulting services included analyzing the Company's armored conduit plastics products, identifying business opportunities for the Company's Plastics and Utilities Products Division and introducing the Company to manufacturers, distributors and others in the plastics industry. Such Common Stock was issued in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act. In March 1997, in connection with an Employment Agreement between the Company and Ronald Premo, the Company issued to Mr. Premo, 30,000 shares of Common Stock, 10,000 of which shares will vest upon the completion of each of his first three years of employment with the Company. Such Common Stock was issued in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act.

2. In February 1997, in connection with the agreement of Ronald Shaps to perform certain consulting services for the Company, the Company issued to Mr. Shaps 50,000 shares of Common Stock for an aggregate purchase price of \$500. Such services included assisting the Company in obtaining financing and in identifying and consummating potential acquisitions. Such Common Stock was issued in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act.

Effective May 1997, pursuant to such agreement, the Company granted to Mr. Shaps at no cost options to acquire up to

50,000 shares of Common Stock at an exercise price of \$4.50 per share, the fair market value of the Common Stock on February 18, 1997, the date of such agreement. Such options are exercisable for five years from the date of grant. Such options were issued in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act.

3. In July 1997, the Company issued to Lewis Glogower, as part of the termination of Mr. Glogower's employment with the Company, 3,000 shares of Common Stock. Such Common Stock was issued in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act.

4. In September 1997, in connection with the execution of the MOU relating to Computer Business Sciences' acquisition of the Agent an aggregate \$653,750 deposit that the Nisko Principals and Robert L. Rimberg had previously paid towards the full exercise price of the Class A Warrants was converted to a partial exercise of the Class A Warrants. Upon such conversion, the Company issued an aggregate of 523,000 shares of its Common Stock to the Nisko Principals and Mr. Rimberg. All of such Common Stock was issued in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act.

5. In November 1997, in connection a Consulting Agreement between Computer Business Sciences and Bruce A. Hall, the Company issued to Mr. Hall 10,000 shares of Common Stock, 3,334 of which shares will vest after the completion of Mr. Hall's first year of consulting and 3,333 of which shares will vest after completion of each of Mr. Hall's second and third years of consulting. Such Common Stock was issued in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act and Regulation S under the Securities Act.

6. In April 1998, the Company issued \$600,000 principal amount of its 10% Convertible Subordinated Debentures due 1999 (the "Debentures") to one institutional investor and two accredited investors, for aggregate proceeds to the Company of \$600,000. Such Debentures were issued in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act.

#### Item 6. Management's Discussion and Analysis of Financial Condition.

The following discussion of the operations, financial condition, liquidity and capital resources of the Company and its subsidiaries should be read in conjunction with the Company's audited Consolidated Financial Statements and related notes thereto included elsewhere herein. The discussion of the operations, financial condition, liquidity and capital resources of Major Auto as well as audited Combined Financial Statements and related notes thereto for Major Auto and pro forma combining financial statements for Major Auto and the Company will be filed by amendment to this Annual Report, as soon as practicable after they become available to the Company.

This Annual Report also contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. The Company's actual results could differ significantly from the results discussed in the forward-looking statements.

#### Results of Operations - Year Ended December 31, 1997 and Year Ended December 31, 1996

**Revenue.** Revenue for the year 1997 resulted in a net increase of \$427,809 or 12.5% to \$3,862,284. Revenue for the year 1996 was \$3,434,475. The sources for such increase (decrease) were:

Computer Telephony and Telecommunications .....	\$(266,277)
Leasing .....	\$ 694,086

The 1997 amounts reflect a full year of operations for both divisions, whereas in 1996 the Computer Telephony and Telecommunications division only began operations during the second quarter and the Leasing division was not acquired until the beginning of the fourth quarter. Also, it should be noted that, during the third quarter, as a result of a decision to operate Talkie Power Web Line machines for itself, the Company stopped the sale of such machines to master agents.

*Cost of sales.* Cost of sales for 1997, all of which relates to the Computer Telephony and Telecommunications division, was \$823,397 compared with \$965,792 in the 1996 period. This is a decrease of \$(142,395) or 14.7% and is consistent with the change in operational direction of this division.

*Gross profit.* Gross profit for the Computer Telephony and Telecommunications division in 1997 was \$2,085,854 which represented a decrease of \$123,882, or 6% from the prior year's gross profit of \$2,209,736. Additionally, gross profit as a percentage of the related revenue increased to 71.7% in 1997 over the 69.6% gross profit percentage in 1996. Both the dollar decrease and the gross profit percentage of revenues increases are consistent with the decreased sales and increased operating efficiencies.

*Selling, general and administrative expense.* Selling, general and administrative expenses ("SG&A") increased a total of \$790,023 to \$1,916,924 in 1997 from \$1,126,901 in 1996. Of this increase \$165,035 relates to the Computer Telephony and Telecommunications division and \$624,988 is from the Leasing division. SG&A for the Computer Telephony and Telecommunications division increased from \$935,529 for 1996 (this division commenced operations in the second quarter of 1996) to \$1,100,564 for 1997, a 17.6% increase. This increase is reflective of an almost full level of normal activity in 1997 compared with the start-up activities in 1996. The increase in selling, general and administrative expense for the Leasing division in 1997 is the result of a full year of activity in this division which was not acquired until the fourth quarter of 1996.

*Interest expense.* Interest expense was \$121,092 for the year ended December 31, 1997 compared with \$24,132 for 1996. The increase of \$96,960 relates primarily to the debt incurred to finance the vehicles and equipment leased by the Company's Leasing division during the current year. There was no comparable amount in the prior year.

*Loss from joint venture.* The loss from the Nisako Joint Venture was \$137,475 in 1997. In the comparable prior period, operations of this joint venture had just commenced and resulted in a loss of \$32,410.

#### Results of Operations - Fiscal Year Ended December 31, 1996 and Fiscal Year Ended December 31, 1995

*Revenues.* Inasmuch as 1996 was the first full year of operations for the Company, all revenue increases resulted from the commencement of previously planned activities and from companies acquired during that year. Revenues from operating divisions were as follows:

Computer Telephony and Telecommunications .....	\$3,175,528
Leasing .....	\$ 258,947

Included in the Computer Telephony and Telecommunications division's sales were \$2,637,873 from the sale of hardware and \$537,635 from the sale of software.

*Cost of sales.* Cost of sales, aggregating \$965,792 for the year ended December 31, 1996 includes the direct costs of materials, labor and overhead included in the Company's products sold through its Computer Telephony and Telecommunications division.

*Gross profit.* The year 1996 was the first full year of operations for the Company's Computer Telephony and Telecommunications division. Gross profit for that division for the year ended December 31, 1996 aggregated \$2,209,736 or 70.0% of sales. The Company anticipates that, over time, annual sales will increase and greater operating efficiencies will be achieved through experience, training and economies of scale. Management believes that as a result, gross profit for the Company's Computer Telephony and Telecommunications division will increase in terms of both

dollars and percentage of sales.

*Selling, general and administrative expense.* Selling, general and administrative expense, which amounted to \$1,126,901 in 1996 (\$2,042 in 1995), include payroll and related expense attributable to senior management (although Mr. Bendell, Chairman, and Mr. Cohen, Chief Executive Officer, President and Treasurer of Company waived compensation from the Company in 1996), finance, systems, sales, marketing and office administration, personnel, facilities costs and general office expenses pertaining to these functions, as well as outside professional fees. The increase in such expenses between 1996 and 1995, which were \$933,487 for the Computer Telephony and Telecommunications division and \$191,372 for the Leasing division are attributable to the commencement of planned activities for the former and the acquisition in October 1996 of the latter.

*Interest expense.* The increase in interest expense of \$19,757 to \$24,132 in 1996 from \$4,375 in 1995 relates primarily to the debt used to finance the vehicles and equipment leased by the Company's Leasing division which was acquired in October 1996 and, to a lesser extent, to interest on debt due from the acquisition of the Company's Computer Telephony and Telecommunications division in April 1996.

*Loss on joint venture.* In March 1996, the Company's Computer Telephony and Telecommunications division formed a joint venture (the "Nisako Joint Venture") named Nisako Telecom, L.P., a limited partnership. The general partner of Nisako Telecom, L.P. is one of the Company's master agents. The Company has a 45% interest in the Nisako Joint Venture, whose purpose is to market and sell the available telephone time generated by the Company's Talkie Power Web Line Machines purchased by this master agent. Because 1996 was the start-up year, the Nisako Joint Venture incurred expenses disproportionate to its revenue generation and suffered from start-up inefficiencies. This resulted in a loss to the Company of \$32,410.

#### **Liquidity and Capital Resources - December 31, 1997**

The Company's primary source of liquidity for the year ended December 31, 1997 was \$1,624,601 from its net income of \$369,139, as adjusted by net non-cash charge, which aggregated \$1,255,462. This net increase in cash was more than offset by (a) the net increase in assets of \$1,730,584 (resulting primarily from an increase in accounts receivable of \$1,471,082, primarily attributable to the Computer Telephony and Telecommunications division as a result of the decision to acquire the master agents' territories and equipment. The receivables are expected to be collected as part of the acquisition.) and (b) a net decrease in liabilities amounting to \$189,974 (primarily attributable to decreases in due to affiliates of \$102,097 and accrued expenses of \$121,349, partially offset by an increase in accounts payable of \$32,689). The net result was a use of cash in operating activities of \$295,957.

The Company's investing activities, i.e., additions to property and equipment, primarily cars and trucks purchased for the Leasing division, used cash of \$708,108 which was significantly offset by \$646,737 provided by the Company's financing activities, of which \$653,750 resulted from the proceeds from the exercise of warrants to purchase common stock. Cash from lines of credit and long-term debt were substantially offset by payments of long-term debt.

The foregoing activities, i.e., operating, investing and financing, resulted in a net cash decrease of \$357,295 for the year ended December 31, 1997.

The Company believes that the funds generated through existing and planned operations, together with existing cash, available credit from banks and other lenders, future equity offerings and the consummation of the Major Auto Acquisition will be sufficient to finance its current operations, planned expansion and internal growth for at least the next 24 months.

#### **Liquidity and Capital Resources - December 31, 1996**



After its initial investor financing during the first quarter of 1996, the Company's primary source of liquidity was its cash flow from operations. Net cash provided by operating activities in 1996 was \$147,942 on net income of \$675,966 (net of non-cash charges of \$725,433), offset by changes in working capital of \$1,263,958. Such changes in working capital are principally attributable to (i) increases, by the Leasing division, in net financing leases of \$1,612,675 and (ii) increases, by the Computer Telephony and Telecommunications division, in inventories, amounting to \$15,026. These increases were offset, in part, by the increase in amounts due to affiliates of \$26,127.

Net cash used in investing activities in 1996 was \$815,962 and related, primarily, to the acquisition of the Company's computer Telephony and Telecommunications division.

Cash flow generated from financing activities in 1996 aggregated \$1,203,179. The net proceeds from the issuance of common stock and the exercise of warrants accounted for \$973,500 of this amount.

The Company, through its Leasing division, has arrangements with various banks and automotive lenders to finance leased vehicles and equipment.

#### Item 7. Financial Statements

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

### PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance With Section 16(a) of the Exchange Act.

The names, ages and principal occupations of the Directors and Executive Officers of the Company are as follows:

Name	Age	Position, Term in Office
Bruce Bendell	43	Chairman of the Board President, Chief Executive Officer, Treasurer and a
Doron Cohen	41	Director
Richard L. Feinstein	54	Chief Financial Officer
Glenn H. Bank	46	Secretary
Yossi Koren	48	Director

The following is a brief description of the professional experience and background of the directors and executive officers of the Company:

**Bruce Bendell.** Mr. Bendell has served as the Company's Chairman of the Board since its incorporation in November 1995. Mr. Bendell has served as the President and a director of Major Chevrolet and its affiliates since December 1985.

**Doron Cohen.** Mr. Cohen has served as the President, Chief Executive Officer, Treasurer and a director of the Company since its incorporation in November 1995. From 1991 to 1995, Mr. Cohen served as President and Chief Executive Officer of Holtman Enterprises, a construction and interior design company.

**Richard L. Feinstein.** Mr. Feinstein has served as the Company's Chief Financial Officer since December 1997. From 1994 to December 1997, Mr. Feinstein maintained his own financial and management consulting practice. From 1989 to 1994, Mr. Feinstein served as Managing Director and Chief Financial Officer of Employee Benefit Services, Inc. From 1978

to 1989, Mr. Feinstein was a partner in KPMG Peat Marwick and a predecessor firm.

**Glenn H. Bank.** Mr. Bank has served as the Secretary of the Company since June 1997. Mr. Bank has been a practicing attorney since 1979. Mr. Bank is a sole practitioner with an office in New York City.

**Yossi Koren.** Mr. Koren has served as a director of the Company since April 1996. Mr. Koren founded Nissko Jewelry Trading, Inc., a jewelry manufacturer based in New York City, in 1983 and has served as its Chief Executive Officer since that time.

The following persons, although not executive officers of the Company, are regarded by management as key personnel:

**Zvi Barak.** Mr. Barak has served as the Director of Research and Development of the Company's Computer Telephony and Telecommunications division since April, 1996. From 1992 to August 1996, Mr. Barak served as President of Info Systems.

**Moise Benedid.** Mr. Benedid has served as the President of the Company's Canadian subsidiary Info Systems since August 1996. From November 1994 through July 1996, Mr. Benedid served as Vice President in charge of marketing and technical support for TelePower International, Inc., where he was responsible for the sale in Canada of franchises based on the "Talkie" technology. From December 1992 to November 1994, Mr. Benedid served as President of Powerpoint Microsystems, Inc., and from August 1989 to December 1992, he served as President of Computer Junction, a Toronto-based computer retail store.

**Bruce Hall.** Mr. Hall has served as Vice President of Operations of the Company since March 1998. From November 1997 to March 1998, Mr. Hall was a consultant to the Company. For the thirty years prior to that time, he was with Bell Atlantic (NYNEX), most recently as their Director of Operations for the Borough of Queens, New York.

**Michael S. Lukin.** Mr. Lukin has served as the President of the Company's subsidiary Computer Business Sciences (Israel) since October 1996. From January 1996 to October 1996, Mr. Lukin served as a securities broker for Weiner, Abrahams, and from 1990 to January 1996 he served as a securities broker for Kern Suslow Securities.

**John Pinciario.** Mr. Pinciario serves as Vice-President of the Company's subsidiary Premo-Plast since January 1, 1997 and will serve as the President of the subsidiary of the Company formed in October 1997 to exploit the Company's spa fixture technology. Mr. Pinciario has served as the Chief Executive Officer of ThermoSpas, Inc., a manufacturer and distributor of spas, since its inception in 1983.

**Ronald K. Premo.** Mr. Premo has served as the President of the Company's subsidiary Premo-Plast since January 1997. In 1993, Mr. Premo founded and has since operated R.K. Premo & Associates, a manufacturer's representative agency for the plastics industry. From 1987 to 1993, Mr. Premo was a Manufacturer's Representative for R.W. Mitscher, Inc.

**Paul Vesel.** Mr. Vesel has served as the Executive Vice President for Sales & Marketing of the Company's subsidiary Computer Business Sciences since November 1996. From May 1995 to November 1996, Mr. Vesel was employed by MTC Netsource, a telecommunications company, where he was responsible for product development and from 1993 to 1995, he served as Director of European Sales and Marketing for ATC Distributing. From November to 1993, Mr. Vesel was a Managing Partner of Focus International, an international trade and marketing consulting company.

The term of office of each person elected as a Director will continue until the Company's next Annual Meeting of Shareholders or until his successor has been elected.

#### **Compliance with Section 16(a) of the Exchange Act**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (the "SEC"). Officers, directors and greater than ten percent stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of such forms received by it, or written representations from certain reporting persons, the Company believes that during Fiscal 1997, its officers, directors, and greater than ten-percent beneficial owners have not complied with all applicable Section 16(a) filing requirements. The process of bringing such persons in compliance with all applicable Section 16(a) filing requirements is currently being undertaken.

## Item 10. Executive Compensation.

### Summary Compensation Table

The following table sets forth information for each of the Company's fiscal years ended December 31, 1997 and 1996 concerning compensation of (i) all individuals serving as the Company's Chief Executive Officer during the fiscal year ended December 31, 1997 and (ii) each other executive officer of the Company whose total annual salary and bonus equaled or exceeded \$100,000 in the fiscal year ended December 31, 1997:

Other Name and Principal Position	Year	Annual Compensation			All Other Compensation(\$)
		Salary(\$)	Bonus(\$)	(\$) Annual	
Doron Cohen President, Chief Executive Officer and Treasurer (since November 7, 1995)	1997	206,500(1)	0	0	0
	1996	200,000	0	0	0
Bruce Bendell Chairman (since November 7, 1995)	1997	178,080(2)	0	0	0
	1996	158,640(2)	0	0	162,500(3)
Zvi Barak Director of Research and Development (Since April 18, 1996)	1997	150,000	0	23,000(4)	0
	1996	105,000	0	23,000(4)	0

(1) Mr. Cohen waived his salary from the Company for the years ended December 31, 1997 and 1996. This salary will not accrue. Mr. Cohen was paid a salary in 1997 and 1996 of \$56,500 and \$50,000, respectively, from Computer Business Sciences.

(2) Mr. Bendell waived his consultant's fee from the Company for the years ended December 31, 1997 and 1996. This fee will not accrue. Mr. Bendell received \$28,080 and \$8,640 as management fees from Major Fleet for management services performed in 1997 and during the fourth quarter of 1996, respectively.

(3) Represents warrants to acquire 50,000 shares of Common Stock issued to Mr. Bendell on October 2, 1996 as a signing bonus under a management agreement with the Company to manage the operations of Major Fleet. These warrants are valued based upon the difference between the exercise price of \$1.25 per share and the closing bid price on the OTC Bulletin Board of \$4.50 per share on the date of issuance.

(4) Includes \$5,000 for life and disability insurance premiums and \$18,000 annual automobile allowance.

#### Option Grants Table

No individual grants of stock options were made during the fiscal year ended December 31, 1997 to any of the executive officers of the Company named in the Summary Compensation Table.

#### Aggregated Option Exercises and Fiscal Year-End Option Value Table

No stock options were exercised during the fiscal year ended December 31, 1997 by any of the executive officers named in the Summary Compensation Table. The value of unexercised options held by any such persons as of December 31, 1997 was as follows for Bruce Bendell (the only such option holder):

Total number of shares underlying unexercised options	50,000
Exercisable options	50,000
Unexercisable options	- 0 -
Value of in-the-money options	\$162,500(1)

(1) Represents warrants to acquire 50,000 shares of Common Stock issued to Mr. Bendell on October 2, 1996 as a signing bonus under a management agreement with the Company to manage the operations of Major Fleet.

#### Compensation of Directors

Directors of the Company are not compensated for their services. The Company reimburses directors for their expenses of attending meetings of the Board of Directors.

As of November 7, 1995, the Company's date of incorporation, the Company entered into a Consulting Agreement with Bruce Bendell, its Chairman, pursuant to which he serves as a business, management and financial consultant to the Company for a period ending on December 31, 1998, subject to successive one-year extensions at the option of the Company. Mr. Bendell receives an annual consulting fee as determined by the Company's Board of Directors from time to time, but not less than \$150,000. The consulting fee is subject to a yearly cost-of-living adjustment and may also be retroactively increased based upon the Company's profits per outstanding share of Common Stock for the applicable year. The available percentage increase in consulting fee as a result of profits ranges from 5% for break-even results to 150% for earnings per share exceeding \$1.00 per share. Mr. Bendell is also entitled to a bonus in such amounts and at such times as determined by the Company's Board of Directors. In addition, the agreement provides that Mr. Bendell is entitled to various fringe benefits and is entitled to participate in any incentive, stock option, deferred compensation or pension plans established by the Company's Board of Directors. Mr. Bendell has agreed not to disclose confidential information relating to the Company and has agreed not to compete with, or solicit employees or customers of, the Company during specified periods following the breach or termination of his agreement to serve as a consultant to the Company.

#### Employment Contracts and Termination of Employment, and Change in Control Arrangements

**Doron Cohen.** As of November 7, 1995, the Company's date of incorporation, the Company entered into an Employment Agreement with Doron Cohen, pursuant to which he serves as the Company's President, Chief Executive Officer and Treasurer for a period ending on December 31, 1998, subject to successive one-year extensions at the option of the Company. W. Cohen receives an annual base salary as determined by the Company's Board of Directors from time to time,

but not less than \$150,000. The annual salary is subject to a yearly cost-of-living adjustment and may also be retroactively increased based upon the Company's profits per outstanding share of Common Stock for the applicable year. The available percentage increase in salary as a result of profits ranges from 5% for break-even results to 150% for earnings per share in excess of \$1.00 per share. Mr. Cohen is also entitled to a bonus in such amounts and at such times as determined by the Company's Board of Directors. In addition, the agreement provides that Mr. Cohen is entitled to various fringe benefits under the agreement and is entitled to participate in any incentive, stock option, deferred compensation or pension plans established by the Company's Board of Directors. Mr. Cohen has agreed not to disclose confidential information relating to the Company and has agreed not to compete with, or solicit employees or customers of, the Company during specified periods following discontinuance of his employment for any reason other than a termination for cause.

**Zvi Barak.** As of April 18, 1996, the Company entered into an Employment Agreement with Zvi Barak, pursuant to which he serves as the Company's Director of Research & Development for a period ending on April 30, 2001, subject to a one-year extension at the option of the Company. Mr. Barak receives an annual base salary as determined by the Company's Board of Directors from time to time, but not less than \$150,000. The annual salary is subject to a yearly cost-of-living adjustment and may also be retroactively increased based upon the Company's profits per outstanding share of Common Stock for the applicable year. The available percentage increase in salary as a result of profits ranges from 5% for break-even results to 150% for earnings per share in excess of \$1.00 per share. Mr. Barak is also entitled to a bonus in such amounts and at such times as determined by the Company's Board of Directors and to an annual royalty incentive in an amount equal to 2% of gross revenues received from sales of new products developed under his direction. In addition, the agreement provides that Mr. Barak is entitled to various fringe benefits under the agreement, including an annual allowance of \$5,000 for disability insurance and \$18,000 for the purchase or lease of an automobile, and is entitled to participate in any incentive, stock option, deferred compensation or pension plans established by the Company's Board of Directors. Pursuant to the agreement, the Company established a research and development facility in Israel and, in the event that Mr. Barak elects to establish residence outside of Israel, the Company has agreed to establish another research and development facility in the location where Mr. Barak establishes his residence. The Company spent approximately \$25,000 to open the research and development facility in Israel and spends approximately \$27,600 per month to operate such facility. Mr. Barak is obligated to pay the expenses of relocating himself to Israel and to any subsequent residence. Mr. Barak has agreed not to disclose confidential information relating to the Company's business and has agreed not to compete with, or solicit employees or customers of, the Company during specified periods if he resigns, is terminated for cause or if his employment agreement expires without being renewed.

#### **Indemnification of Directors and Officers**

Under the Nevada General Corporation Law, as amended, a director, officer, employee or agent of a Nevada corporation may be entitled to indemnification by the corporation under certain circumstances against expenses, judgments, fines and amounts paid in settlement of claims brought against them by a third person or by or in right of the corporation.

The Company is obligated under its Articles of Incorporation to indemnify any of its present or former directors who served at the Company's request as a director, officer or member of another organization against expenses, judgments, fines and amounts paid in settlement of claims brought against them by a third person or by or in right of the corporation if such director acted in good faith or in a manner such director reasonably believed to be in, or not opposed to, the best interests of the Company and, with respect to any criminal action or proceeding, if such director had no reason to believe his or her conduct was unlawful. However with respect to any action by or in the right of the Company, the Articles of Incorporation prohibit indemnification in respect of any claim, issue or matter as to which such director is adjudged liable for negligence or misconduct in the performance of his or her duties to the Company, unless otherwise ordered by the relevant court. The Company's Articles of Incorporation also permit it to indemnify other persons except against gross negligence or willful misconduct.

The Company is obligated under its bylaws to indemnify its directors, officers and other persons who have acted as representatives of the Company at its request to the fullest extent permitted by applicable law as in effect from time to time, except for costs, expenses or payments in relation to any matter as to which such officer, director or representative is finally adjudged derelict in the performance of his or her duties, unless the Company has received an opinion from independent counsel that such person was not so derelict.

In addition, pursuant to indemnification agreements that the Company has entered into with each of its directors, the Company is obligated to indemnify its directors to the fullest extent permitted by applicable corporate law and its Articles of Incorporation. The indemnification agreements also provide that, upon the request of a director and provided that director undertakes to repay amounts that turn out not to be reimbursable, that director is entitled to reimbursement of litigation expenses in advance of the final disposition of the legal proceeding.

The Company's indemnification obligations are broad enough to permit indemnification with respect to liabilities arising under the Securities Act. Insofar as the Company may otherwise be permitted to indemnify its directors, officers and controlling persons against liabilities arising under the Securities Act or otherwise, the Company has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

The Nevada General Corporation Law, as amended, also permits a corporation to limit the personal liability of its officers and directors for monetary damages resulting from a breach of their fiduciary duty to the corporation and its stockholders. The Company's Articles of Incorporation limit director liability to the maximum extent permitted by The Nevada General Corporation Law, which presently permits limitation of director liability except (i) for a director's acts or omissions that involve intentional misconduct, fraud or a knowing violation of law and (ii) for a director's willful or grossly negligent violation of a Nevada statutory provision that imposes personal liability on directors for improper distributions to stockholders. As a result of the inclusion in the Company's Articles of Incorporation of this provision, the Company's stockholders may be unable to recover monetary damages against directors as a result of their breach of their fiduciary duty to the Company and its stockholders. This provision does not, however, affect the availability of equitable remedies, such as injunctions or rescission based upon a breach of fiduciary duty by a director.

The Company does not maintain any liability insurance for the benefit of its officers or directors and has no present plans to obtain such insurance.

#### Item 11. Security Ownership of Certain Beneficial Owners and Management.

The following tables sets forth information with respect to the beneficial ownership of each class of the Company's securities as of December 31, 1997, before and after giving effect to the sale of Common Stock offered hereby, respectively, by (i) each director of the Company, (ii) each executive officer of the Company, (iii) all directors and executive officers of the Company as a group and (iv) each person known to the Company to own more than 5% of any class of its securities:

Name and Address(3)	Common Stock		1996 Major Series of Convertible Preferred Stock(2)	
	Number	Percent	Number	Percent
Bruce Bendell	2,850,010 (4)	39.6%	5,000(5)	50%
Doron Cohen	2,500,000 (6)	36.3%	-	-
Glenn H. Bank	1,400	-	-	-
Yossi Koren	504,100 (7)	7.0%	-	-
Zvi Barak	250,000 (8)	3.6%	-	-
Richard L. Feinstein	-	-	-	-
All directors and executive officers as a group	6,105,518(9)	81.2%	-	-
Avraham Nissanian	506,329(10)	7.0%	-	-
Chmuel Livian	502,759(11)	7.0%	-	-
Harold Bendell	350,000 (12)	4.9%	125,000(13)	50%

Represents less than 1% of the outstanding shares of Common Stock.

- (1) Based on 6,895,700 shares of Common Stock outstanding on December 31, 1997.
- (2) Based on 250,000 shares of the 1996-MAJOR Series of Convertible Preferred Stock outstanding on December 31, 1997.
- (3) The address for each beneficial owner is c/o Fidelity Holdings, Inc., 80-02 Kew Gardens Rd., Suite 5000, Kew Gardens, NY 11415.
- (4) Includes (i) 10 shares of Common Stock owned by Bruce Bendell's wife and the following shares of Common Stock which Bruce Bendell has the right to acquire within 60 days: (a) 250,000 shares of Common Stock, the minimum number of shares of Common Stock into which the 125,000 shares of the 1996-MAJOR Series of Convertible Preferred Stock beneficially owned by Bruce Bendell are convertible and (b) 50,000 shares of Common Stock which Bruce Bendell has the right to acquire upon the exercise of warrants. Does not reflect a proxy giving Mr. Bendell the sole right to vote an additional 500,000 shares of Common Stock issued pursuant to the MOU for a period of two years. See "Description of Business-Computer Telephony and Telecommunications Division-Talkie-Restructuring of Nisako Arrangements." Does not reflect Mr. Cohen's agreement to give Bruce Bendell a proxy to vote 750,000 of Mr. Cohen's shares during the two-year period commencing on October 14, 1997.
- (5) All of such shares of the 1996-MAJOR Series of Convertible Preferred Stock are held in a trust created under the law of Gibraltar. Bruce Bendell is the principal beneficiary of such trust.
- (6) Does not reflect Mr. Cohen's agreement to give Bruce Bendell a proxy to vote 750,000 of Mr. Cohen's shares during the two-year period commencing on October 14, 1997.
- (7) Includes (i) 1,350 shares of Common Stock owned by members of Mr. Koren's immediate family, (ii) 3,508 shares of Common Stock representing one-third of the 10,526 shares of Common Stock owned by Nisako Jewelry Trading, Inc., a company 33-1/3% owned by Mr. Koren, and (iii) 325,667 shares of Common Stock representing approximately one-third of the 977,000 shares of Common Stock that the Nisako Principals have the right to acquire within 60 days upon the exercise of the Class A and Class B Warrants. The MOU provides that upon execution of the definitive documentation, Mr. Koren will receive (i) 257,500 shares of the Company's Common Stock, transfer of which will be restricted for two years as described under "Description of Business-Computer Telephony and Telecommunications Division-Talkie-Restructuring of Nisako Arrangements," and (ii) warrants to acquire up to 68,917 shares of Common Stock which will be exercisable within 60 days. Such warrants represent a portion of the unexercised balance of the Class A Warrants. The Class B Warrants (exercisable for 750,000 shares of Common Stock in the aggregate) have expired by their terms. See "Description of Business-Computer Telephony and Telecommunications Division-Talkie-Restructuring of Nisako Arrangements."
- (8) Includes 125,000 shares of Common Stock owned by Mr. Barak's wife.
- (9) Includes (i) 126,360 shares of Common Stock owned by immediate family members of directors and executive officers as a group, (ii) 3,508 shares of Common Stock representing one-third of the 10,526 shares of Common Stock owned by Nisako Jewelry Trading, Inc., a company 33-1/3% owned by Mr. Koren, and (iii) 625,667 shares of Common Stock that the directors and executive officers as a group have the right to acquire within 60 days.
- (10) Includes (i) 3,360 shares of Common Stock owned by members of Mr. Nissanian's immediate family, (ii) 3,508 shares of Common Stock representing one-third of the 10,526 shares of Common Stock owned by Nisako Jewelry Trading, Inc., a company 33-1/3% owned by Mr. Nissanian, and (iii) 325,667 shares of Common Stock representing approximately one-third of the 977,000 shares of Common Stock that the Nisako Principals have the right to acquire within 60 days upon the exercise of the Class A and Class B Warrants. The Class B Warrants have expired by their terms. The MOU provides that upon execution of the definitive documentation, Mr. Nissanian will receive (i) 257,500 shares of the Company's Common Stock, transfer of which will be restricted for two years as described under

"Description of Business-Computer Telephony and Telecommunications Division-Talkie-Restructuring of Nisko Arrangements," and (ii) warrants to acquire up to 68,917 shares of Common Stock which will be exercisable within 60 days. Such warrants represent a portion of the unexercised balance of the Class A Warrants. The Class B Warrants (exercisable for 750,000 shares of Common Stock in the aggregate) have expired by their terms. See "Description of Business-Computer Telephony and Telecommunications Division-Talkie-Restructuring of Nisko Arrangements."

- (11) Includes (i) 3,508 shares of Common Stock representing one-third of the 10,526 shares of Common Stock owned by Nisko Jewelry Trading, Inc., a company 33-1/3% owned by Mr. Livian, and (ii) 325,667 shares of Common Stock representing approximately one-third of the 977,000 shares of Common Stock that the Nisko Principals have the right to acquire within 60 days upon the exercise of the Class A and Class B Warrants. The MOU provides that upon execution of the definitive documentation, Mr. Livian will receive (i) 257,500 shares of the Company's Common Stock, transfer of which will be restricted for two years as described under "Description of Business-Computer Telephony and Telecommunications Division-Talkie-Restructuring of Nisko Arrangements," and (ii) warrants to acquire up to 68,917 shares of Common Stock which will be exercisable within 60 days. Such warrants represent a portion of the unexercised balance of the Class A Warrants. The Class B Warrants (exercisable for 750,000 shares of Common Stock in the aggregate) have expired by their terms. See "Description of Business-Computer Telephony and Telecommunications Division-Talkie-Restructuring of Nisko Arrangements."
- (12) Includes the following shares of Common Stock which Harold Bendell has the right to acquire within 60 days: (i) 250,000 shares of Common Stock, the minimum number of shares of Common Stock into which the 125,000 shares of the 1996-MAJOR Series of Convertible Preferred Stock beneficially owned by Harold Bendell are convertible and (ii) 50,000 shares of Common Stock which Harold Bendell has the right to acquire upon the exercise of warrants,
- (13) All of such shares of the 1996-MAJOR Series of Convertible Preferred Stock are held in a trust created under the law of Gibraltar. Harold Bendell is the principal beneficiary of such trust.

#### **Item 12. Certain Relationships and Related Transactions.**

See "Executive Compensation-Employment Contracts and Termination of Employment, and Change in Control Arrangements" for a description of (i) the Employment Agreement between the Company and Doron Cohen, its President, Chief Executive Officer and Treasurer and one of its directors, and (ii) the Employment Agreement between the Company and Zvi Barak, its Director of Research and Development.

See "Executive Compensation-Compensation of Directors" for a description of the Consulting Agreement between the Company and Bruce Bendell, its Chairman.

See "Executive Compensation-Indemnification of Directors and Officers" for a description of indemnification agreements between the Company and each of its directors.

In October 1996, the Company acquired from Bruce Bendell, the Company's Chairman, and his brother Harold Bendell all of the issued and outstanding stock of Major Fleet. In exchange for their shares of the common stock of Major Fleet, each of the Bendells received (i) 125,000 shares of the Company's 1996-MAJOR Series of Convertible Preferred Stock and (ii) as a result of Major Fleet's financial performance prior to the closing of the exchange, 50,000 shares of the Company's Common Stock. See "Description of Securities-Preferred Stock."

In connection with the Company's acquisition of Major Fleet, the Bendells and the Company entered into a management agreement pursuant to which the Bendells have the exclusive right and obligation to manage the motor vehicle leasing activities of Major Fleet. The management agreement is for a term ending on December 31, 2001. In connection with the management agreement, the Company issued to each of the Bendells warrants to purchase 50,000 shares of the Company's Common Stock for \$1.25 per share. The management agreement also provides that the Bendells will receive a management fee annually in an amount equal to the balance remaining after deducting from the annual gross revenues of the motor vehicle leasing activities of Major Fleet the following: (i) Major Fleet's costs of financing and operating its vehicle leasing activities,



(ii) a corporate management fee in an amount equal to 1% of Major Fleet's net income to cover overhead costs of the Company allocable to Major Fleet and (iii) income derived from the leases to which Major Fleet was a party on the date of closing of the Company's acquisition of Major Fleet.

Following the planned acquisition of Major Auto by the Company, Bruce and Harold Bendell will continue to be responsible for senior-level management of the dealerships. The Bendell brothers and the Company expect that this continuity of senior management will facilitate obtaining the manufacturers' consents to the transfer of the dealerships to the Company. The Bendell brothers' management control will be accomplished through (i) their ownership of 100 shares of the Company's 1997A-MAJOR AUTOMOTIVE GROUP Series of Preferred Stock (of which shares Bruce Bendell has a proxy to vote the 50 shares of the 1997A-MAJOR AUTOMOTIVE GROUP Series of Preferred Stock owned by Harold Bendell for a seven-year period commencing on January 7, 1998) which carries voting rights allowing them to elect a majority of the Board of Directors of Major Auto, and through (ii) a related management agreement, discussed immediately below. See "Description of Securities-Preferred Stock- 1997A-MAJOR AUTOMOTIVE GROUP Series of Preferred Stock" below.

To further facilitate obtaining the required manufacturers' consents, the Bendells and the Company have entered into a management agreement pursuant to which the Bendells will have the exclusive right and obligation to manage the automobile dealerships acquired by the Company in connection with the Major Auto Acquisition and any additional automobile dealerships that the Company may acquire in the future. The management agreement is for a term ending on December 31, 2002 and may not be earlier terminated unilaterally by the Company. If the Company continues to own automobile dealerships at the end of the term, the management agreement may be unilaterally extended by the Bendell brothers in order to maintain the level of management control that will avoid the need to seek further manufacturer consents. Should either of the Bendell brothers cease managing the dealerships, the management agreement provides that ownership of his 1997A-MAJOR AUTOMOTIVE GROUP Series of Preferred Stock shares and his management rights under the management agreement will be automatically transferred to the other, and should both brothers cease managing the dealerships for any reason, the shares and management rights will be automatically transferred to a successor manager designated in a successor addendum to each dealership agreement or, failing such designation, to a successor manager designated by the Company (subject to approval by the applicable manufacturers). As noted in the prior paragraph, Bruce and Harold Bendell will retain the right to elect a majority of the directors of Major Auto (and possibly other affiliates in the future) in order to facilitate obtaining the required manufacturers' consents. Should the Boards of Directors of Major Auto and the Company disagree as to a particular course of action, Major Auto would nonetheless be able to take the action in question, except that the management agreement prohibits certain actions without the prior approval by the Company's Board of Directors. Those actions are (i) disposing of any of the Major Auto dealerships, (ii) acquiring new dealerships, and (iii) the Company incurring liability for Major Auto indebtedness.

As compensation for their performance under the management agreement, the management agreement provides that the Bendells are entitled to receive initially the same compensation that they theretofore received from the dealerships to be acquired as part of the Major Auto Acquisition. As compensation from such dealerships in 1996, Bruce Bendell received a salary of \$104,000 and a bonus of \$300,000, and Harold Bendell received a salary of \$104,000 and a bonus of \$180,000. Such compensation will be increased in a manner to be negotiated upon expansion of the operations of those dealerships or the Company's acquisition of new dealerships. The compensation that Bruce Bendell is entitled to receive under the management agreement is in addition to any other compensation that he is entitled to receive as Chairman of the Company. In connection with the execution of the Management Agreement in March 1997, the Company is required to issue to the Bendells 100 shares of the 1997A-MAJOR AUTOMOTIVE GROUP Series of Preferred Stock (of which shares Bruce Bendell has a proxy to vote the 50 shares of the 1997A-MAJOR AUTOMOTIVE GROUP Series of Preferred Stock owned by Harold Bendell for a seven-year period commencing on January 7, 1998).

See "Planned Acquisition" for a description of the proposed Major Auto Acquisition.

In April 1996, the Company acquired from Zvi Barak, then a director of the Company, and Sarah Barak, his wife, all of the issued and outstanding stock of Info Systems. Mr. Barak resigned his directorship on July 7, 1997. Pursuant to the agreement between the Company and the Baraks, the Company acquired all of the issued and outstanding shares of common stock of Info Systems. In exchange, the agreement provides that the Baraks will receive \$750,000, \$300,000 of which consists of twenty monthly installment payments of \$15,000 from the Company to the Baraks. The monthly installment

payments commenced in September 1996 and are scheduled to continue through June 1998. In order to secure such installment payments, the Company has granted a security interest to the Baraks in the stock of Info Systems and the other assets owned by Info Systems. To date, the Company has withheld \$85,000 of such installment payments as collateral for the Baraks' obligation to make certain indemnification payments to the Company. The Company has agreed to pay the Baraks the \$85,000 by July 1998. In addition to monetary compensation, each of the Baraks were issued 125,000 shares of the Company's Common Stock, which vest (i) in the case of Sarah Barak, 25,000 shares vested on December 31, 1997, 50,000 shares vest on each of December 31, 1998 and 1999 and (ii) in the case of Zvi Barak, 25,000 shares per year on the 1st day of February which commenced on February 28, 1997 and continues through February 28, 2002.

In March 1996, the Company's subsidiary Computer Business Sciences formed a joint venture with Nisko Telecom, L.P., of which Yossi Koren, a director of the Company is a limited partner. Mr. Koren is also a shareholder in Nisko Telecom, Ltd. Nisko Telecom, Ltd. is the general partner of Nisko Telecom, L.P. and also one of the Company's master agents. The joint venture arrangement and the master agent arrangement are described above under "Description of Business-Computer Telephony and Telecommunications Division-TalkieArrangements with Nisko."

The Company has entered into a Memorandum of Understanding (the "MOU") with the Agent, the Nisko Principals, and with the remaining limited partner of Nisko, Robert L. Rimberg. The MOU looks toward restructuring the Nisko arrangements as described above under "Description of Business--Computer Telephony and Telecommunications Division-Talkie-Restructuring of Nisko Arrangements."

The Company has made a loan to its President and Chief Executive Officer, Doron Cohen, in the principal amount of \$140,000, bearing interest at 5.77% per annum, uncompounded. The loan is evidenced by a promissory note dated December 31, 1996. The promissory note provides that the full principal amount of, and all accrued interest on, the loan is due and payable in a single installment on December 31, 1998.

Nisko Telecom Associates, the joint venture between Computer Business Sciences and Nisko Telecom, L.P., of which Yossi Koren, one of the Company's directors is a limited partner, occupies space free of charge at the Company's principal office in Kew Gardens, New York, pursuant to an informal arrangement.

Bruce Bendell, and Major Chevrolet, Major Dodge and Major Chrysler Plymouth Jeep Eagle, all of which are wholly-owned by Bruce Bendell and/or his brother Harold Bendell, have guaranteed the obligations of Major Fleet under a \$5,000,000 line of credit with Marine Midland Bank. In addition, Bruce Bendell and Major Fleet have guaranteed the obligations of Major Auto's subsidiaries under certain of their agreements with various financial institutions pursuant to which such subsidiaries sell their vehicle finance contracts and leases. Major Fleet has pledged its assets to such financial institutions to secure its guarantee. In addition, such subsidiaries have cross-guaranteed and cross-collateralized their respective agreements with such financial institutions. See "Description of Business-Automotive Sales Division-DealerShip Operations-Vehicle Financing" and "Leasing Division" for a description of certain transactions between Major Auto and Major Fleet.

Major Subaru subleases from an unrelated third party approximately 2,500 square feet of office and automobile showroom space in Woodside, New York. This lease expired on January 31, 1998 and contains no renewal provisions. The property is currently being leased on a month-to-month basis. The annual rent under such lease was \$69,457.56. Pursuant to an informal arrangement between Major Subaru and Major Fleet, Major Fleet occupies the space and pays the rental payments.

Major Dodge leases from Bruce Bendell and Harold Bendell approximately 12,000 square feet of office and automobile showroom space in Long Island City, New York. The lease expires on December 31, 1998 and contains no renewal provisions. The current annual rent under such lease is \$114,000.

Major Chrysler, Plymouth, Jeep Eagle, Major Dodge and Major Subaru lease from Bendell Realty L.L.C., a company wholly owned by Bruce Bendell and Harold Bendell, approximately 40,000 square feet in Long Island City, New York which is used as a service facility. The lease expired on December 31, 1997 and contains no renewal provisions. The property is currently being leased on a month-to-month basis. The annual rent under such lease was \$132,000.

## PART IV

### Item 13. Exhibits and Reports on Form 8-K.

#### (a) Exhibits

Exhibit Number	Description	Page
3.1*	Articles of Incorporation of Fidelity Holdings, Inc., ("Company") incorporated by reference to Exhibit 3.1 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
3.2*	Articles of Incorporation of Computer Business Sciences, Inc., incorporated by reference to Exhibit 3.2 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
3.3*	Articles of Incorporation of 786710 (Ontario) Limited, incorporated by reference to Exhibit 3.3 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
3.4*	Articles of Incorporation of Premo-Plast, Inc., incorporated by reference to Exhibit 3.4 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
3.5*	Articles of Incorporation of C.B.S. Computer Business Sciences Ltd., incorporated by reference to Exhibit 3.5 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
3.6*	Articles of Incorporation of Major Fleet & Leasing Corp., incorporated by reference to Exhibit 3.6 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
3.7*	Articles of Incorporation of Reynard Service Bureau, Inc., incorporated by reference to Exhibit 3.7 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
3.8*	Articles of Incorporation of Major Acceptance Corp., incorporated by reference to Exhibit 3.8 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
3.9*	By-Laws of the Company incorporated by reference to Exhibit 3.9 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A

Exhibit -----	Description -----	Page -----
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4.1*	Certificate of Designation for the Company's 1996-MAJOR Series of Convertible Preferred Stock, incorporated by reference to Exhibit 4.1 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
4.1(i)	Form of Amended and Restated Certificate of Designation for the Company's 1996-MAJOR Series of Convertible Preferred Stock	--
4.2*	Warrant Agreement for Nisako Warrants, incorporated by reference to Exhibit 4.2 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
4.3*	Warrant Agreement for Major Fleet Warrants, incorporated by reference to Exhibit 4.3 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
4.3(i)	Amended and Restated Warrant Agreement, dated October 11, 1997 between the Company, Bruce Bendell and Harold Bendell.	--
4.4*	Warrant Agreement for Progressive Polymers International, Inc. Warrants, incorporated by reference to Exhibit 4.4 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	--
4.5	Form of Certificate of Designation for the Company's 1997A-Major Automotive Group Series of Preferred Stock	--
4.6	Form of Certificate of Designation for the Company's 1997-Major Series of Convertible Preferred Stock	--
4.7	Form of Registration Rights Agreement between the Company and Bruce Bendell.	--
4.8	Warrant Agreement between the Company and SouthWall Capital Corp.	--
4.9	Stock Pledge and Security Agreement, dated March 26, 1996, between Doron Cohen, Bruce Bendell, Avraham Nissimian, Yossi Koren, Sam Livsan and Robert Rumberg.	--
4.10	Form of Registration Rights Agreement between the Company, Castle Trust and Management Services Limited and Bruce Bendell.	--
4.11	Form of the Company's 10% Convertible Subordinated Debenture due 1999.	--
Exhibit	Description	Page
10.1*	Employment Agreement, dated November 7, 1995, between the Company and Doron Cohen, incorporated by reference to Exhibit 10.1 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A

10.1(i)	Amendment No. 1 to Employment Agreement, dated as of November 7, 1995 between the Company and Doron Cohen.	—
10.2*	Consulting Agreement, dated November 7, 1995, between the Company and Bruce Bendell, incorporated by reference to Exhibit 10.2 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.2(i)	Amendment No. 1 to Consulting Agreement, dated as of November 7, 1995 between Fidelity Holdings, Inc. and Bruce Bendell.	—
10.3*	Agreement for Purchase of Patents, dated November 14, 1995, between the Company and Progressive Polymeric, Inc., incorporated by reference to Exhibit 10.3 of the Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.3(i)*	First Amendment, dated September 30, 1996, to Agreement for Purchase of Patents, dated November 14, 1995, incorporated by reference to Exhibit 10.4 of Company's Registration Statement on Form 10-SB as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.5*	Agreement, dated March 25, 1996, between Nissko Telecom, Ltd. and Computer Business Sciences, Inc., incorporated by reference to Exhibit 10.5 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.6*	Asset Purchase Agreement, dated April 18, 1996, between the Company and Zvi and Sarah Barak, incorporated by reference to Exhibit 10.6 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.6(i)	Amendment to Asset Purchase Agreement dated August 7, 1997.	--
10.7*	Employment Agreement dated April 18, 1996 between the Company and Dr. Zvi Barak, incorporated by reference to Exhibit 10.7 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A

Exhibit -----	Description -----	Page ----
10.8*	Employment Agreement dated October 18, 1996 between Computer Business Sciences, Inc. and Paul Vesel, incorporated by reference to Exhibit 10.8 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.9*	Indemnification Agreement dated November 7, 1995 between the Company and Doron Cohen, incorporated by reference to Exhibit 10.9 of Company's Registration	

	Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.10*	Indemnification Agreement dated November 7, 1995 between the Company and Bruce Bendell, incorporated by reference to Exhibit 10.10 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.11*	Indemnification Agreement dated December 6, 1995 between the Company and Richard C. Fox, incorporated by reference to Exhibit 10.11 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.12*	Indemnification Agreement dated March 28, 1996 between the Company and Dr. Barak, incorporated by reference to Exhibit 10.12 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.13*	Indemnification Agreement dated March 28, 1996 between the Company and Yossi Koren, incorporated by reference to Exhibit 10.13 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.14*	Plan of Reorganization for acquisition of Major Fleet & Leasing Corp. dated August 23, 1996 between the Company, Bruce Bendell and Harold Bendell, incorporated by reference to Exhibit 10.17 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.15*	Patent Purchase Agreement dated December 30, 1996 between Premo-Plast, Inc. and John Pinciaro, incorporated by reference to Exhibit 10.16 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.16*	Employment Agreement dated December 30, 1996 between Premo-Plast, Inc. and John Pinciaro, incorporated by reference to Exhibit 10.17 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
<u>Exhibit</u>	<u>Description</u>	<u>Page</u>
10.17*	Employment Agreement dated January 27, 1997 between the Company and Ronald K. Premo, incorporated by reference to Exhibit 10.18 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.18*	Plan and Agreement of Merger, dated April 21, 1997, the Company, Major Automotive Group, Inc., Major Acquisition Corp. and Bruce Bendell, incorporated by reference to Exhibit 10.19 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A

10.18(i)	Amendment to Plan and Agreement of Merger, dated August 1, 1997, between Fidelity Holdings, Inc., Major Automotive Group, Inc., Major Acquisition Corp. and Bruce Bendell.	—
10.18(ii)	Amendment to Plan and Agreement of Merger, dated August 26, 1997, between Fidelity Holdings, Inc., Major Automotive Group, Inc., Major Acquisition Corp. and Bruce Bendell.	—
10.18(iii)	Amendment to Plan and Agreement of Merger, dated November 20, 1997, between Fidelity Holdings, Inc., Major Automotive Group, Inc., Major Acquisition Corp. and Bruce Bendell.	--
10.19*	Stock Purchase Agreement with Escrow Agreement attached, incorporated by reference to Exhibit 10.20 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.20*	Management Agreement incorporated by reference to Exhibit 10.21 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.21*	Employment Agreement with Moise Benedid, incorporated by reference to Exhibit 10.22 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.22	Partnership Agreement between Nisko Telecom Associates and the Company.	—
10.23	Memorandum of Understanding, dated September 9, 1997, by and among Computer Business Sciences, Inc., Nisko Telecom Ltd., the Company and Robert L. Rimberg.	—
10.24	Letter of Intent, dated June 6, 1997, between the Company and SouthWall Capital Corp. (formerly known as Sun Coast Capital Corp.)	—
10.25	Letter of Intent, dated September 1997, between the Company, Lichtenberg Robbins Buick, Inc. and Lichtenberg Motors Inc.	—

Exhibit	Description	Page
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10.26	Consulting Agreement, dated February 18, 1997, with Ronald Shapss Corporate Services, Inc.	—
10.27	Value Added Reseller Agreement between Summa Four, Inc. and Computer Business Sciences, Inc., as Reseller.	—
10.28	Lease Agreement, dated March 1996, between 80-02 Leaschold Company, as Owners and the Company, as Tenant.	—
10.29	Master Lease Agreement, dated December 26, 1996, between Major Fleet & Leasing Corp., as Lessor, and Nisko Telecom, Ltd., as Lessee.	—
10.30	Sublease Agreement, dated March 1995, between Speedy R.A.C., Inc., as Sublessor,	

- and Major Subaru Inc., as Sublessee.
- 10.31 Lease Agreement, dated November 1, 1991, between Gloria Hirsch, as Landlord, and Major Chrysler-Plymouth, Inc., as Tenant.
- 10.32 Store Lease Agreement, dated June 10, 1992, between Bill K. Kartsonis, as Owner, and Major Automotive Group, as Tenant.
- 10.33 Lease Agreement, dated June 3, 1994, between General Motors Corporation, as Lessor, and Major Chevrolet, Inc., as Lessee.
- 10.34 Lease Agreement, dated August 1990, between Bruce Bendell and Harold Bendell, as Landlord and Major Chrysler-Plymouth, Inc., as Tenant.
- 10.34(i) Extension of Lease Agreement, dated August 14, 1997, between Bruce Bendell and Harold Bendell, as Landlord and Major Dodge, Inc. (formerly known as Major Chrysler-Plymouth, Inc.), as Tenant.
- 10.34(ii) Extension of Lease Agreement, dated December 16, 1997, between Bruce Bendell and Harold Bendell, as Landlord and Major Dodge (formerly known as Major Chrysler-Plymouth, Inc.), as Tenant.
- 10.35 Lease Agreement, dated February 1995, between Bendell Realty, L.L.C., as Landlord, and Major Chrysler-Plymouth Jeep Eagle, Inc., as Tenant.
- 10.35(i) Extension of Lease Agreement, dated August 14, 1997, between Bendell Realty, L.L.C., as Landlord and Major Chrysler-Plymouth Jeep Eagle, Inc., as Tenant.
- 10.35(ii) Extension of Lease Agreement, dated December 16, 1997, between Bendell Realty, L.L.C., as Landlord and Major Chrysler-Plymouth Jeep Eagle, Inc., as Tenant.

Exhibit -----	Description -----	Page ---
10.36	Lease Agreement, dated February 1996, between Prajs Drimmer Associates, as Landlord, and Barak Technology Inc., as Tenant.	---
10.37	Sublease Agreement, dated January 8, 1997, between Newaday, Inc., as Sublessor, and Major Fleet & Leasing Corp., as Sublessee.	---
10.37(i)	Consent to Sublease Agreement, dated January 16, 1997, between 80-02 Leasehold Company, Newaday Inc. and Major Fleet and Leasing Corp.	---
10.38	General Security Agreement between Major Fleet & Leasing Corp., as Debtor, and Marine Midland Bank, as Secured Party.	---
10.39	Retail and Wholesale Dealer's Agreement, dated March 30, 1995, between Marine Midland Bank, as Bank, and Major Fleet & Leasing Corp., as Dealer.	---



10.40	Wholesale Lease Financing Line of Credit between General Electric Capital Corporation, as Lender, and Major Fleet & Leasing Corp., as Borrower.	---
10.41	Chrysler Leasing System License Agreement between Chrysler Motors Corporation, as Licensor, and Major Fleet & Leasing Corp., as Licensee.	---
10.42	GMAC Retail Plan Agreement between General Motors Acceptance Corp. and Major Fleet & Leasing Corp., as Dealer.	---
10.43	Fidelity Holdings, Inc. 1996 Employees' Performance Recognition Plan.	---
10.44	Secured Promissory Note, dated December 31, 1996, between Doron Cohen, as Maker, and Fidelity Holdings, Inc., as Holder.	---
10.45	Dealer Master Agent Agreement and License, dated February 1996, between Computer Business Sciences, Inc. and Progressive Polymerics International, Inc., as Master Agent.	---
10.46	Dealer Master Agent Agreement and License, dated February 1996, between Computer Business Sciences, Inc. and Cellular Credit Corp. of America, Inc., as Master Agent.	---
10.47	Dealer Master Agent Agreement and License, dated February 1996, between Computer Business Sciences, Inc. and America's New Beginning, Inc., as Master Agent.	---
10.48	Dealer Master Agent Agreement and License, dated February 1996, between Computer Business Sciences, Inc. and Korean Telecom, as Master Agent.	---
Exhibit	Description	Page
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10.49	Dealer Master Agent Agreement and License, dated February 1996, between Computer Business Sciences, Inc. and Philcom Telecommunications, as Master Agent.	---
10.50	Management Agreement, dated August 23, 1996, between Major Fleet, Bruce Bendell and Harold Bendell.	---
10.51	Wholesale Security Agreement, dated April 26, 1990, between General Motors Acceptance Corporation ("GMAC") and Major Fleet.	---
10.51(i)	Amendment, dated February 14, 1991, to Wholesale Security Agreement between GMAC and Major Fleet.	---
10.52	Direct Leasing Plan Dealer Agreement, dated July 24, 1986, between GMAC and Major Fleet.	---
10.53	Retail Lease Service Plan Agreement, dated April 3, 1987, between GMAC and Major Fleet.	---

- 10.54 Contribution Agreement dated as of October 6, 1997 between the Company, Bruce Bendell and Doron Cohen.
- 10.55 Letter of Commitment dated March 16, 1998 from Falcon Financial, LLC to Major Auto Acquisition, Inc.
- 21.1 \* List of Subsidiaries of the Company, incorporated by reference to Exhibit 22.1 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.
- 27.1 Financial Data Schedule.

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\*\* Previously filed with the Commission as Exhibits to, and incorporated herein by reference from, the registrant's registration statement on Form 10-SB (File No. 0-29182).

**(b) Reports on Form 8-K**

During the last quarter of Fiscal 1997, the Company did not file any Reports on Form 8-K.

Signatures

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Fidelity Holdings, Inc.

Dated: April 8, 1998

By: /s/ Doron Cohen

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Doron Cohen</u> Doron Cohen	Chief Executive Officer, President, Treasurer and Director	April 9, 1998
<u>/s/ Bruce Bendel</u> Bruce Bendel	Chairman of the Board	April 9, 1998
<u>/s/ Yossi Cohen</u>	Director	April 9, 1998
<u>/s/ Glenn H. Bank</u> Glenn H. Bank	Secretary	April 9, 1998
<u>/s/ Richard L. Feinstein</u> Richard L. Feinstein	Chief Financial Officer	April 9, 1998

Exhibit 11

Statement re: Computation of Per Share Earnings

FIDELITY HOLDINGS, INC.

COMPUTATION OF EARNINGS PER COMMON SHARE

Number of shares outstanding January 1, 1997 6,279,200

Common stock issued during the year:

Date Issued	Days Outstanding	Number of Shares	Weighted Average Number of Shares
March 20, 1997	286	26,500	20,764
August 8, 1997	145	50,000	19,863
September 30, 1997	92	523,000	131,822
November 3, 1997	58	17,000	2,701

Weighted average number of shares issued during 1997 175,150

Number of shares used in computing basic earnings per share 6,454,350 (A)

Dilution:

250,000 shares of Preferred Stock, each share convertible into 2 shares of common stock	500,000
Warrants representing 1,077,000 shares, exercisable at \$1.25 per share, with the average market value approximately \$2.80 per share	<u>596,196</u>

Number of shares used in computing diluted earnings per share 7,550,546 (B)

Earnings Per Share:

Net Income	\$ 369,139 (C)
Earnings per share - basic [(C)/(A)]	\$ 0.06
Earnings per share - diluted [(C)/(B)]	\$ 0.05

**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**Amendment No. 1 to  
FORM 8-K**

**Current Report Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934**

**May 14, 1998**  
**Date of Report (Date of earliest event reported)**

**FIDELITY HOLDINGS, INC.**  
**(Exact name of registrant as specified in its charter)**

<b>Nevada</b>	<b>00029182</b>	<b>11-3292094</b>
<b>(State or other jurisdiction of</b>	<b>(Commission File Number)</b>	<b>(IRS Employer Identification No.)</b>
	<b>incorporation)</b>	

**80-02 Kew Gardens Road, Kew Gardens, NY 11415**  
**(Address of principal executive offices) (Zip Code)**

**(Registrant's telephone number, including area code): 718/520-6500**

**Item 7. Financial Statements and Exhibits.**

**(a) Financial Statements of Business Acquired.**

1. Combined balance sheets of Major Chevrolet, Inc. and affiliates as of December 31, 1997 and 1996 and combined statements of income and retained earnings (deficit) and cash flows for the years ended December 31, 1997, 1996, and 1995.

2. The balance of the required financial information will be filed on a timely basis by amendment to this Form 8-K.

**(b) Pro Forma Financial Information.**

1. Unaudited pro forma condensed combined balance sheets as of December 31, 1997 and unaudited pro forma condensed combined statement of operations for the year ended December 31, 1997.

2. The balance of the required pro forma financial information will be filed on a timely basis by amendment to this Form 8-K.

PETER C. COSMAS CO. CPA'S  
400 MADISON AVE.  
NEW YORK, NEW YORK 10017  
212-752-5353


November 13, 1997

To The Board of Directors  
Computer Business Sciences, Inc.

We have compiled the accompanying combined balance sheet of Computer Business Sciences, Inc. and subsidiaries as of September 30 1997 and the related statements of Income and, retained earnings for the Nine months then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

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

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

  
Peter C. Cosmas Co. CPA's

COMPUTER BUSINESS SCIENCES, INC.  
BUSINESS AND PRINCIPLES OF COMBINATION AND REPORTING

Computer Business Sciences, Inc. and Subsidiaries (The Company) provide a broad range of telecommunication services. Included in its telecommunications product lines are (i) its proprietary software which enables consumers to place long-distance telephone calls at discounted rates and (ii) its variety of sophisticated interactive voice response applications. The operations of the Company's leasing subsidiary consist of providing leases and other financing.

The combined financial statements consist of the combined operations of Computer Business Sciences, Inc. 786710 (Ontario) Limited, C.B.S. Computer Business Sciences LTD. And Major Fleet & Leasing Corp. all of which are under common control. All significant intercompany balances and transactions have been eliminated.



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CONFORMED SUBMISSION TYPE: 8-K  
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COMPANY DATA:

COMPANY CONFORMED NAME: FIDELITY HOLDINGS, INC  
CENTRAL INDEX KEY:  
STANDARD INDUSTRIAL CLASSIFICATION: 4812  
IRS NUMBER:  
STATE OF INCORPORATION: NV  
FISCAL YEAR END: 1231

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BUSINESS ADDRESS:

STREET 1: 80-02 KEW GARDENS RD  
CITY: KEW GARDENS  
STATE: NY  
ZIP: 11415  
BUSINESS PHONE: 7185206500

MAIL ADDRESS:

STREET 1: 80-02 KEW GARDENS RD  
CITY: KEW GARDENS  
STATE: NY  
ZIP: 11415

## **Independent Auditors' Report**

**Major Chevrolet, Inc. and Affiliates**  
**Long Island City, New York**

We have audited the accompanying combined balance sheets of Major Chevrolet, Inc. and Affiliates as of December 31, 1997 and 1996, and the related combined statements of income and retained earnings (deficit), and cash flows for each of the three years in the period ended December 31, 1997. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Major Chevrolet, Inc. and Affiliates at December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

March 27, 1998, except for Note 15,  
as to which the date is May 28, 1998

/s/ BDO Seidman, LLP