BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF FLORIDA

APPLICATION FOR AUTHORITY
FOR NETWORK LONG DISTANCE, INC.
TO ACQUIRE CERTAIN ASSETS OF
UNIVERSAL NETWORK SERVICES
OF FLORIDA, INC.

CASE NUMBER 960751-TI

APPLICATION

Network Long Distance, Inc. ("Network"), pursuant to the applicable Statutes of Florida and the Commission's Rules and Regulations currently in effect and/or subsequently enacted, hereby requests Commission approval of a transaction whereby Network will acquire certain assets, including customer accounts, of Universal Network Services of Florida, Inc. ("UNS"). Network proposes to acquire these assets and customer accounts and to begin to provide long distance service to the Customers of UNS under the Certificate of Public Convenience and Necessity previously issued to Network.

As will be described in detail below, Network has entered into an agreement to purchase specified assets of UNS, including its customer accounts, pending the required regulatory approvals.[1] Commission approval of the proposed purchase of assets, including customer accounts, will result in cost savings because of discounts on quantity ordering of materials and services and will streamline the level of service for all involved customers. At the same time, approval of the proposed purchase and transfer of customer accounts will not in any way be detrimental to the public interests

[1] Both Network and UNS are presently certificated carriers in the State of Florida, actively engaged in the business of selling long distance and other enhanced telecommunications services.

of the State of Florida because the customers of both Network and UNS will continue to receive the same high quality service presently rendered to them and neither party to the transaction between Network and UNS will be given undue advantage over the other party. Additionally, Network will possess a greater customer account base as the result of the proposed purchase of assets, and will thus be a stronger carrier to provide high quality service to all customers presently serviced by both Network and UNS.

In support of this Application, Applicant shows the following:

I. THE PARTIES

1. Network Long Distance, Inc. is a publicly held Delaware corporation whose principle offices are located at 525 Florida Street, Baton Rouge, Louisiana 70801. Network is a non-dominant carrier that resells the domestic and international long distance service purchased from various facilities based carriers pursuant to the FCC's *Competitive Carrier* policies.

2. Network is authorized by the FCC to offer domestic interstate and international services in all fifty (50) states and the District of Columbia as a non-dominant carrier. Network currently originates interstate traffic in forty nine (49) states, and provides intrastate service, pursuant to certification, registration or tariff requirements, or on an unregulated basis, in forty nine (49) states. Network is a certificated carrier in the State of Florida.[2]

3. Universal Network Services of Florida, Inc. is a privately held Nevada corporation whose principle offices are located at Two Corporate Plaza, Suite 200, Newport Beach, California 92660. UNS is a non-dominant carrier that resells domestic and international long distance service

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[2] In Florida, Network provides intrastate telecommunications services pursuant to Certificate of Public Convenience and Necessity Number 3178. See matter entitled "Application Form for Authority to Provide Interexchange Telecommunications Service Within the State of Florida," Docket Number 930249-TI; Order Number PSC-93-0857-FOF-TI, effective date June 30, 1993.

from various facilities based carriers pursuant to the FCC's *Competitive Carrier* policies. UNS is a certificated carrier in the State of Florida.[3]

4. Pursuant to the transaction which is the subject of this Application, Network will acquire, for consideration, certain of the assets of UNS, including the customer accounts of UNS.[4]

5. Pursuant to the transaction which is the subject of this Application, UNS will retain its Certificate of Public Convenience and Necessity issued to it from the State of Florida.

6. As a company providing intrastate telecommunications service directly in forty nine (49) states, with annual operating revenues of approximately thirty two million ($32,000,000) dollars, Network is well-qualified to consummate the transaction which is the subject of this Application. Current financial information for Network is attached hereto as Exhibit "B".[5]

II. DESIGNATED CONTACT

7. The designated contact for questions concerning this Application is:

Leon L. Nowalsky, Esquire
Nowalsky & Bronston
3900 North Causeway Boulevard
Suite 1275
Metairie, Louisiana 70002
(504) 832-1984

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[3] Universal Network Services of Florida, Inc. is a wholly owned subsidiary of Universal Network Services, Inc., also a Nevada corporation. In Florida, UNS provides intrastate telecommunications services pursuant to Certificate of Public Convenience and Necessity Number 3578. See matter entitled "Application Form for Authority to Provide Interexchange Telecommunications Service Within the State of Florida," Docket Number 940559-TI, Order Number PSC-94-1032, effective date September 14, 1994.

[4] See Asset Purchase Agreement, attached as Exhibit "A."

[5] Exhibit "B" is the most recent Form 10-K submitted to the SEC by Network for the fiscal year ending March 31, 1995.

8. Copies of such correspondence should also be sent to:

Mike Ross, President
Network Long Distance, Inc.
525 Florida Street
Baton Rouge, Louisiana 70801
(504) 343-3125

III. REQUEST FOR PERMISSION FOR THE PURCHASE OF ASSETS FROM UNS TO NETWORK

9. In the past several years, Network has acquired the assets of several companies that provide intrastate telecommunication services pursuant to Certificates of Public Convenience and Necessity in various states. Network has attempted to consolidate the customer accounts of these various other companies in order to create a single, larger long distance carrier operating in all fifty (50) states and the District of Columbia. By virtue of these transactions, Network will realize significant economic, marketing and administrative efficiencies.

10. Applicant accordingly proposes a transaction with UNS whereby Network will purchase the following assets of UNS:

(a) All Qualified Customer Accounts (as such term is described in Exhibit "A"), including all customer lists, mailing lists, books, records, files, data, letters of agency and similar items related to the Qualified Customer Accounts;

(b) All accounts receivable associated with and derived from the Qualified Customer Accounts and other mutually agreed to accounts receivable;

(c) All of UNS' rights under any agreements, application forms, term contracts, letters of agency and all other contractual instruments related to the Qualified Customer Accounts, including, but not limited to UNS' right to assert claims and take other rightful action with respect to breaches, defaults and other violations of such Customer Contracts;

(d) All customer and other deposits held or made by UNS related to the Qualified Customer Accounts; and

(e) All T-1's and other equipment, excluding dialers, currently used by or for the customers relative to the Qualified Customer Accounts.

11. Due consideration will be made by Network to UNS in exchange for the purchase of those assets identified above.[6]

12. All assets of UNS not identified in paragraph 11 above will be retained by and remain the property of UNS, including the Certificate of Public Convenience and Necessity issued by the State of Florida.

13. Following consummation of the transaction discussed above, Network will transfer all of the present customer accounts of UNS to Network, and service these customers through and pursuant to the Certificate of Public Convenience and Necessity presently utilized by Network in its service of its existing customers in this state.[7]

14. The technical, managerial and financial personnel of Network will remain the same after the transaction, and will serve both the existing Network customers and the transferred UNS customers with the high level of expertise which now collectively operates this national corporation

IV. PUBLIC INTEREST CONSIDERATIONS

15. Critical to the proposed transaction and consolidation of customer accounts is the need to ensure the continuation of high quality service to all customers currently served by both Network and UNS. The proposed transaction will serve the public interest for the following reasons

16. First, it will enable Network to provide a streamlined level of service for all involved customers by creating a single, larger, national operation to provide long distance service to the

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[6] Note that the exact financial figures have been deleted from Exhibit "A". Should this Commission desire to review the financial terms of the proposed transaction, such materials will be provided to this Commission for *in camera* inspection.

[7] Upon consummation of the proposed transaction, Network intends to notify all current end users of UNS of the event and also of any change in rates due to the alignment of two or more different rate products into a single rate product for common services, by either a separate mailing or by a bill insert. To the extent that any present UNS rate products are not included in Network's Tariffs, Network will amend its Tariffs accordingly. As such, the transaction should not cause any inconvenience or confusion to the pre-existing customers of either UNS or Network.

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NOWALSKY & BRONSTON, L.L.P.

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Edward P. Gothard
Of Counsel

Direct Dial Number
(504) 836-7423

96 JUN 21 AM 10 33

June 20, 1996

960751
960571-TI

VIA FEDERAL EXPRESS

Executive Secretary
Florida Public Service Commission
2450 Schumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Application for Authority for Network Long Distance, Inc. to Acquire Specified Assets of Universal Network Services of Florida, Inc.

Dear Sir:

On behalf of Network Long Distance, Inc., enclosed please find an original and thirteen (13) copies of the referenced Application. Also enclosed is a check in the amount of $250.00 to cover the filing fee.

Please date stamp the enclosed extra Application and return to me in the envelope provided.

Please call the undersigned should you have any questions concerning this filing. Thank you for your assistance with this matter.

Sincerely,

EPGothard

Edward P. Gothard

EPG/bg

Enclosures

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

Initials of person who forwarded check: A.G.

DOCUMENT NUMBER-DATE
06676 JUN 21 96
FPSC-RECORDS/REPORTING

BEFORE THE PUBLIC SERVICE COMMISSION

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19. Accordingly, the requested transaction and consolidation will serve to create a heightened level of operating efficiency which generally will serve to enhance the overall capacity of Network to compete in the marketplace and to provide telecommunications services for a greater number of Florida customers at competitive rates.

V. CONCLUSION

20. WHEREFORE, for the reasons stated herein, Applicant respectfully requests that the Commission authorize Network and UNS to consummate the agreement described above, and to transfer the customer accounts presently serviced under UNS' Certificate to Network, to be serviced under Network's Certificate.

DATED this 19th day of June, 1996.

Respectfully submitted,

Leon Nowalsky

Leon L. Nowalsky, Esquire
Nowalsky & Bronston
3900 North Causeway Boulevard
Suite 1275
Metairie, Louisiana 70002
(504) 832-1984

EXHIBITS

STATE OF LOUISIANA

PARISH OF EAST BATON ROUGE

VERIFICATION

I, Michael M. Ross, am the President of Network Long Distance. Inc., and am authorized to make this verification on its behalf. The statements made in the foregoing Application are true of my own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters I believe them to be true.

By: ______________________
Name: Michael M. Ross
Title: President

Sworn to and subscribed before me, Notary Public, in and for the State and Parish named above, this 31 day of May, 1996.

Edward Gothard
Notary Public

My commission is issued for life.

EXHIBIT A

ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "Agreement") is made and entered into as of the 8th day of May, 1996 between **Network Long Distance, Inc.**, a Delaware corporation **("Purchaser")**, and Universal Network Services, Inc., a Nevada corporation **("Seller")**. SDH MR

WHEREAS, Seller conducts business as a reseller of long distance telecommunications services and has established retail end user customer bases in various states in the United States; and

WHEREAS, Purchaser desires to purchase selected assets of Seller on the terms and subject to the conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises, covenants, representations and warranties herein contained, it is hereby agreed as follows:

1. <u>Sale and Transfer of Assets</u>

1.1 <u>Assets to be Sold</u>

Subject to the terms and conditions set forth in this Agreement, Seller agrees to sell, convey, transfer, assign and deliver to Purchaser, and Purchaser agrees to purchase from Seller, the following selected assets **(the "Assets")**:

(a) All Qualified Customer Accounts (as such term is defined below), including all customer lists, mailing lists, books, records, files, data, letters of agency and similar items related to the Qualified Customer Accounts;

(b) All accounts receivable associated with and derived from the Qualified Customer Accounts and other mutually agreed to accounts receivable,

(c) All of Seller's rights under any agreements, application forms, term contracts, letters of agency and all other contractual instruments related to the Qualified Customer Accounts **(collectively, the "Customer Contracts")**, including but not limited to Seller's right to assert claims and take other rightful actions in respect of breaches,

Initials: Seller SDH
Purchaser MR

defaults and other violations of such Customer Contracts; and

(d) All customer and other deposits held or made by Seller related to the Qualified Customer Accounts.

1.2 Assets Retained by Seller

All assets of Seller not listed in Section 1.1 are being retained by Seller.

2. The Closing

2.1 Place and Date

The closing of the purchase and sale of the Assets **(the "Closing")** shall take place at the offices of Purchaser, 525 Florida Street, Baton Rouge, Louisiana, 70801, at or before 10:00 a.m., local time, on or before June 1, 1996, provided that the conditions set forth in Section 7 hereof have been satisfied. The date of the Closing is herein referred to as the **"Closing Date."**

2.2 Transfer of Assets

(a) At the Closing and subject to the terms and conditions of this Agreement, Seller shall deliver to Purchaser the following, and simultaneously with such delivery, Seller shall take such action as may be necessary or reasonably requested by Purchaser to place Purchaser in possession and control of the Assets:

(i) Such bills of sale, assignments, novation agreements, master letters of agency or other instruments of transfer and assignment as shall be necessary to vest in Purchaser title to the Assets sold and assigned under this Agreement, free and clear of all liens, claims and encumbrances;

(ii) Copies of resolutions of the Board of Directors of Seller authorizing the execution, delivery and performance of this Agreement by Seller and a certificate of Seller's secretary, dated the Closing Date, that such resolutions were duly adopted and are in full force and effect,

(iii) A current list of the Qualified Customer Accounts to be transferred with an accounts receivable aging report for such Qualified Customer Accounts;

Initials: Seller DHH
Purchaser MR

(iv) Such other certificates or other documents or instruments as the Purchaser or Purchaser's counsel may reasonably request.

(b) At the Closing, as a condition to Seller's obligations under this Agreement, Purchaser shall deliver to Seller the following:

(i) All instruments as may be reasonably necessary by which Purchaser assumes the obligations and liabilities to be assumed by it hereunder;

(ii) Copies of resolutions of the Board of Directors of Purchaser authorizing the execution, delivery and performance of this Agreement by Purchaser and a certificate of Purchaser's secretary, dated the Closing Date, that such resolutions were duly adopted and are in full force and effect; and

(iii) Such other certificates or other documents or instruments as Seller or Seller's counsel may reasonably request.

2.3 Purchase Price; Adjustments; Payment of the Purchase Price

(a) In full consideration for the Assets to be transferred to Purchaser, Purchaser shall pay to Seller a combination of consideration as described below.

(b) Definitions:

(i) **"Qualified Customer Account"** shall mean any end user long distance telecommunications customer account of Seller which is mutually agreed to by the parties and which shall be listed in **Schedule 2.3(b)(i)** to be attached hereto and made a part hereof at the Closing. Unless mutually agreed to by the parties, a "Qualified Customer Account": (1) may not be affiliated with Seller in any way; (2) may not be comprised, in whole or in part, of any outstanding balance(s) which is/are more than sixty (60) days past due as of 5:00 p.m. on May 22, 1996; (3) must utilize the Wiltel "Wilmax" platform for all 1+ and 800 services, be in the process of being transitioned to the Wiltel "Wilmax" platform or there is a high probability of it being converted to the Wiltel "Wilmax" platform (all of which must be approved by Purchaser, in its sole discretion); (4) must utilize a travel card platform which is acceptable to Purchaser in its discretion; and (5) must not have been placed on "credit hold" or similar restriction by Wiltel or any other underlying provider.

Initials: Seller DAH
Purchaser MR

(ii) **"Measurement Period"** shall mean the period commencing March 1, 1996 and ending April 30, 1996. Attached hereto and made a part hereof as **Schedule 2.3(b)(ii)** is a listing of all days included in the Measurement Period and designated by: (1) date; (2) day of week; and (3) weekday versus weekend day. ~~kend day.~~

(iii) **"Average Weekday Net Revenue"** shall mean the average daily gross toll usage for each Qualified Customer Account for all weekdays (except holidays) during the Measurement Period, net of any discounts and minus all other appropriate deductions, including but not limited to monthly service fees, taxes, pass-through charges to customers, credits and chargebacks.

(iv) **"Average Weekend Day Net Revenue"** shall mean the average daily gross toll usage and pro rata monthly fees for each Qualified Customer Account for all weekend days (except holidays) during the Measurement Period, net of any discounts and minus all other appropriate deductions, including but not limited to monthly service fees, taxes, pass-through charges to customers, credits and chargebacks.

(v) **"Net Toll Usage"** shall mean Average Weekday Net Revenue multiplied by twenty-one (21) plus Average Weekend Day Net Revenue multiplied by nine (9).

(vi) **"Bad Debt Factor"** shall mean two percent (2%) multiplied by Net Toll Usage.

(vii) **"Customer Base Purchase Price"** shall mean Net Toll Usage less the Bad Debt Factor [redacted] (Example: If Net Toll Usage equals $800,000 and the Bad Debt Factor equals $16,000, then the Customer Base Purchase Price shall equal $5,880,000).

(viii) **"Accounts Receivable"** shall mean the accounts receivable as of 11:59 p.m. CST on May 31, 1996 which are associated with and derived from all Qualified Customer Accounts.

(1) Accounts Receivable shall be listed, including a complete and up-to-date aging analysis for each Qualified Customer Account in particular and for all Qualified Customer Accounts in the aggregate, in **Schedule 2.3(b)(viii)** which shall be attached hereto and made a part hereof upon completion of the Accounts Receivable

Initials: Seller AHH
Purchaser MR

Reconciliation (as such term is defined below).

(2) <u>Accounts Receivable Reconciliation</u>.

(A) Since the actual dollar amount of the Accounts Receivable cannot be ascertained prior to the Closing, the parties hereby stipulate, for purposes of determining the consideration to be transferred at the Closing, that Accounts Receivable equals Net Toll Usage multiplied by a factor of one and twenty-five one-hundredths (1.25).

(B) The parties shall perform a reconciliation **(the "Accounts Receivable Reconciliation")** of the actual dollar amount of the Accounts Receivable as of 11:59 p.m. CST on May 31, 1996 within fourteen (14) days of Purchaser's confirmation of its receipt of all information necessary to perform said Accou..ts Receivable Reconciliation.

(C) The Accounts Re:eivable Purchase Price shall be adjusted in accordance with the results of the Accounts Receivable Reconciliation.

(D) Nothing contained in this Section 2.3(b)(viii)(2) shall be construed to effect a change in the definition of Accounts Receivable Purchase Price (as such term is defined below).

(ix) **"Accounts Receivable Purchase Price"** shall mean the aggregate total of the Accounts Receivable as of the Closing Date multiplied by a factor of eighty percent (80%).

(x) **"Agent Net Toll Usage"** shall mean, strictly for purposes of the Customer Evaluation (as such term is defined below), the Net Toll Usage of accounts sold by Seller's agents subsequent to the Closing on behalf of Purchaser pursuant to agreements independently negotiated between said agents and Purchaser **(hereinafter, "New Agent Accounts").** For purposes of this paragraph, the Net Toll Usage of New Agent Accounts shall be calculated in accordance with the methodology set forth in paragraphs 2.3(b)(ii), (iii), (iv) and (v) above, except that the accounts to be calculated shall be the New Agent Accounts and the measurement period to be used shall be the Evaluation Measurement Period (as such term is defined below).

(xi) **"Purchase Price"** shall mean the sum of the Customer Base

Initials: Seller DDK
Purchaser MR

Purchase Price plus the Accounts Receivable Purchase Price.

(c) <u>Manner and Form of Payment</u>: The Purchase Price shall be paid in the form of cash and restricted shares of Purchaser's voting common stock (as more fully described below).

(i) <u>Customer Base Purchase Price</u>:

(1) <u>Cash Portion</u>. Fifty percent (50%) of the Customer Base Purchase Price shall be paid in cash, by wire transfer or other immediately available funds.

(2) <u>Stock Portion</u>. Fifty percent (50%) of the Customer Base Purchase Price shall be paid in shares of Purchaser's voting common stock which are restricted from transfer under SEC Rule 144 **(the "Restricted Stock")**. The number of shares of Restricted Stock to be paid shall be computed by dividing the Stock Portion by the average closing share price for the five (5) trading days prior to the Closing Date.

(ii) <u>Accounts Receivable Purchase Price</u>. The Accounts Receivable Purchase Price shall be paid in cash, by wire transfer or in other immediately available funds. The Accounts Receivable Purchase Price may be increased in accordance with the sliding scale set forth in **Schedule 2.3(c)(ii)**. Any such increase shall be paid in cash, by wire transfer or in other immediately available funds on or before September 15, 1996.

(d) <u>Escrowed Shares</u>. At the Closing, a sufficient number of shares of Restricted Stock representing ten percent (10%) of the Purchase Price, calculated using the average closing share price for the five (5) trading days prior to the Closing Date, shall be placed in an escrow account **("Escrowed Shares")** as security for: (i) Seller's payment of any reimbursement(s) necessitated by the Customer Evaluation (as such term is defined below), (ii) the Special Indemnification set forth in paragraph 10.13 below; and (iii) any other obligation of Seller which arises hereunder, including but not limited to any reimbursement which may become due as a result of the Accounts Receivable Reconciliation. Any Escrowed Shares relating to this paragraph which remain in escrow after the Customer Evaluation shall be released by the escrow agent and delivered to Seller.

(e) <u>Customer Evaluation</u>. Upon the expiration of one (1) year from the

Initials: Seller WAK
Purchaser AR

Closing, the parties shall mutually evaluate whether there has been an increase or decrease in the Net Toll Usage of the Qualified Customer Accounts. Such evaluation shall be known as the **"Customer Evaluation"**.

(i) For purposes of the Customer Evaluation, the term **"Evaluation Measurement Period"** shall mean the period commencing March 1, 1997 and ending April 30, 1997. Attached hereto and made a part hereof as **Schedule 2.3(e)(i)** is a listing of all days included in the Evaluation Measurement Period and designated by: (1) date; (2) day of week; and (3) weekday versus weekend day.

(ii) For purposes of the Customer Evaluation, the term **"Evaluation Net Toll Usage"** shall be calculated utilizing the same methodology set forth above for calculating Net Toll Usage except using the Evaluation Measurement Period.

(iii) If the Customer Evaluation reveals an increase in the Net Toll Usage level of the Qualified Customer Accounts, as measured by comparing Net Toll Usage to Evaluation Net Toll Usage, Purchaser shall pay Seller the amount of the increase multiplied by seven and one-half (7.5).

(1) Any payment resulting from such increase shall be in the form of additional shares of Restricted Stock.

(2) The number of shares to be paid shall be calculated using the average closing share price for the five (5) trading days prior to the date of the Customer Evaluation.

(iv) If the Customer Evaluation indicates a decrease in the Net Toll Usage level of the Qualified Customer Accounts greater than eighteen percent (18%) **(the "Allowable Attrition")**, as measured by comparing Net Toll Usage to the sum of (1) Evaluation Net Toll Usage plus (2) Agent Net Toll Usage, then the Purchase Price shall be reduced by an amount equal to seven and one-half (7.5) times the excess of the decrease over the Allowable Attrition.

(1) Any reimbursement due as a result of such reduction shall be paid first from the Escrowed Shares. The number of Escrowed Shares to be reimbursed shall be calculated using the average closing share price for the five (5) trading days prior to the date of the Customer Evaluation.

Initials: Seller DHH
Purchaser mR

(2) If the Escrowed Shares are insufficient to fully reimburse Purchaser pursuant to this paragraph, Seller shall pay Purchaser a sufficient number of shares out of the Restricted Stock it receives at the Closing in order to complete the reimbursement.

(3) If the Restricted Stock is insufficient to fully reimburse Purchaser pursuant to this paragraph, Seller shall pay Purchaser any remaining unpaid reimbursement in cash.

(4) Seller may, in its discretion, utilize cash for all or a portion of any reimbursement due as a result of the Customer Evaluation.

2.4 <u>Allocation of Payment of Purchase Price</u>

The purchase price shall be allocated in accordance with **Schedule 2.4** hereto which shall be submitted by Purchaser at the Closing, and all tax returns filed by the parties shall be consistent with such Schedule. Seller and Purchaser shall each file all applicable IRS Forms, including but not limited to Form 8594, in a consistent manner and in accordance with such allocation and applicable law and regulations.

2.5 <u>Assumption of Specific Liabilities</u>

(a) <u>General</u>. At the Closing, Purchaser shall assume and shall subsequently honor and discharge, in accordance with the relevant governing agreements, only the obligations of Seller as, and only to the extent, mentioned herein or listed on **Schedule 2.5(a)** hereto.

(b) <u>Agent Contracts</u>

(i) Purchaser shall assume and shall subsequently honor and discharge the actual amount of any and all applicable sales agent commissions **(the "Agent Commissions")** in an amount not to exceed seven and one-half percent (7.5%) of Net Toll Usage **(the "Allowable Commission Percentage")** for as long as said Agent Commissions are due and payable under the terms of the relevant governing agreements between Seller and its various sales agents **(the "Agent Contracts")**.

(ii) Seller shall continue to honor and pay any and all Agent Commissions which exceed the Allowable Commission Percentage for as long as Agent

Initials: Seller [signature]
Purchaser MR

Commissions are owed under the terms of the Agent Contracts.

(iii) With respect to the Agent Contracts, Purchaser is only assuming herein the obligation to pay Agent Commissions with respect to the Qualified Customer Accounts and Accounts Receivable; Purchaser is not assuming the Agent Contracts themselves.

(iv) All Agent Contracts are attached hereto and made a part hereof, in globo, as **Exhibit 2.5(b)(iv)**.

2.6 Limitation on Assumption of Liabilities

Purchaser shall not be liable for any of the obligations or liabilities of Seller, of any kind or nature, other than those specifically assumed by Purchaser hereunder. Seller shall pay, perform and discharge all of its valid liabilities and obligations, directly attributable to the Qualified Customer Accounts in the ordinary course of business, which are not so assumed by Purchaser and shall specifically indemnify and hold harmless Purchaser from and against same.

3. **Representations and Warranties of Seller**

Seller represents and warrants to Purchaser as follows:

3.1 Organization and Authority

Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada and has all requisite power and authority to own, operate and lease its properties and to carry on its business as now being conducted.

3.2 Authorization of Agreement

The Board of Directors of Seller, pursuant to the power and authority legally vested in it, has duly authorized the execution, sealing and delivery of this Agreement by Seller and the transactions hereby contemplated, and no action, confirmation or ratification by the stockholders of Seller or by any other person, entity or governmental authority is required in connection therewith. Seller has the power and authority to execute, seal and deliver this Agreement, to consummate the transactions hereby contemplated and to take all other actions required to be taken by it pursuant to the provisions hereof. Seller has

Initials: Seller AH
Purchaser MR

taken all actions required by law, its Certificate of Incorporation, its Bylaws or otherwise to authorize the execution, sealing and delivery of this Agreement. This Agreement is valid and binding upon Seller in accordance with its terms. Neither the execution, sealing and delivery of this Agreement nor the consummation of said transactions will constitute any violation or breach of the Certificate of Incorporation or the Bylaws of Seller, or any order, writ, injunction, decree, law, rule or regulation applicable to Seller.

3.3 **No Conflicts**

To the best of Seller's knowledge, the execution, delivery and performance of this Agreement and the consummation of all of the transactions contemplated hereby: (i) do not and will not with or without the giving of notice or passage of time or both, violate, conflict with or result in a breach or termination of any provision of, or constitute a default under, or accelerate or permit the acceleration of the performance required by the terms of, or result in a creation of any mortgage, security interest, claim, lien, charge or other encumbrance upon any of the Assets pursuant to, or otherwise give rise to any liability or obligation under any agreement, mortgage, deed of trust, license, permit or other agreement or instrument, or any order, judgment, decree, statute, regulation or any other restriction of any kind or description to which Seller is a party or by which Seller or the Assets may be bound; and (ii) will not terminate or result in the termination of any such agreement or instrument, or in any way affect or violate the terms and conditions of, or result in the cancellation, modification, revocation or suspension of, any rights in or to the Assets.

3.4 **Title to Purchased Assets**

Seller has, and on the Closing Date will have, good and marketable title to all of the Assets free and clear of all claims and encumbrances, except claims and encumbrances listed on **Schedule 3.4**. Seller further warrants and represents that none of its subsidiary, parent or affiliated companies have any right, title or interest in the Assets, and Seller is free to transfer the Assets without approval or intervention of same.

3.5 **Material Contracts**

Except as disclosed in **Schedule 3.5** hereto, Seller is not a party to or bound by any material written or oral contracts, obligations or commitments related to the Qualified Customer Accounts or the Accounts Receivable, including any written or oral commitments to pay commissions or other compensation relative to the Qualified Customer

Initials: Seller ______
Purchaser ______

Accounts or the Accounts Receivable. Seller has delivered or made available to Purchaser correct and complete copies of all of the contracts, agreements and other documents listed in Schedule 3.5 hereto and all amendments thereto and waivers granted thereunder. The rights and interest of Seller in all such contracts and agreements may be assigned to Purchaser without the consent of any other person, except as otherwise disclosed on Schedule 3.5, and at the Closing, Purchaser will acquire all such rights and interest. There are no unresolved disputes pending or, to the best knowledge of Seller, threatened under or in respect of any such contracts or agreements. All such contracts and agreements are valid and effective in accordance with their respective terms.

3.6 <u>Customer Relationships</u>

Seller has no knowledge that any Qualified Customer Account has been terminated or is expected to be terminated, in whole or in part; provided, however, that this subsection shall not be construed as a representation, warranty, or guarantee that any such customer will, after the Closing, maintain its present business relationships with Purchaser. To the best of Seller's knowledge, no director or officer of Seller has any direct or indirect interest in any such Qualified Customer Accounts.

3.7 <u>Litigation; Compliance</u>

(a) To the best of Seller's knowledge, except as disclosed in **Schedule 3.7(a)** hereto, there are no actions, suits, proceedings or arbitrations or governmental investigations pending or threatened against, by or affecting Seller (or to the best of the knowledge of Seller, any basis therefor) in which, individually or in the aggregate, an unfavorable determination could materially and adversely affect any of the Assets or impede execution or performance of this Agreement. Seller has not received any notice of any violation of any applicable Federal State, local or foreign law, rule, regulation, ordinance, order or decree relating to the Assets, and Seller is not aware of any threatened claim of such violation or any basis therefor.

(b) To the best of Seller's knowledge, Seller has complied and is in compliance in all material respects with all laws, rules, regulations, ordinances, orders, decrees, writs, injunctions, building codes, safety, fire and health codes, or other governmental restrictions applicable to Seller, or the Assets.

(c) To the best of Seller's knowledge, Seller has all governmental licenses, permits, approvals or other authorizations presently required to service the

Initials: Seller ADH
Purchaser MR

Qualified Customer Accounts, all of which are in full force and effect and all of which are listed on **Schedule 3.7(c)** hereto.

3.8 Disclosure

To the best of Seller's knowledge, no representation or warranty by Seller and no statement or certificate furnished or to be furnished by or on behalf of Seller to Purchaser pursuant to this Agreement or in connection with the transactions contemplated hereby contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading.

3.9 Acquisition of Shares

Seller represents and warrants to Purchaser that the shares of Restricted Stock being acquired by Seller pursuant to this Agreement are being acquired by Seller for investment for its own account and not with a view to, or for the offer for sale or for the sale in connection with, any distribution thereof. Seller covenants and agrees that Seller shall not sell, assign or otherwise transfer the Shares other than in transactions which are not in violation of the Securities Act of 1933 and applicable state securities laws. As used in this Section 3.9, "transactions which are not in violation of the Securities Act of 1933" do not include transactions which directly or indirectly result in a subsequent disposition of the Restricted Stock pursuant to Regulation S adopted under the Securities Act of 1933. Each stock certificate of Purchaser representing the Restricted Stock shall bear the following legend, unless such legend may be removed in accordance with its terms:

> "The securities represented by this stock certificate have not been registered under the Securities Act of 1933 (the "Act") or applicable state securities laws (the "State Acts"), and shall not be sold, pledged, hypothecated, donated, or otherwise transferred (whether or not for consideration) by the holder except upon the issuance to Purchaser of a favorable opinion of its counsel or submission to the Corporation of such other evidence as may be satisfactory to counsel for Purchaser to the effect that any such transfer shall not be in violation of that certain Asset Purchase Agreement dated May 8, 1996,

Initials: Seller DDH
Purchaser RR

the Act and the State Acts."

3.10 Disclaimer of Fraudulent Intent.

Seller represents and warrants that the transactions described in this Agreement have been undertaken in good faith, considering its obligations to any person or entity to whom Seller owes a right to payment, whether or not the right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured (collectively such persons with such claims are called **"Creditors"** under this paragraph), and has undertaken these transactions without any intent to hincer, delay or defraud any such Creditors, and either has disclosed in the ordinary course of business or will undertake to disclose to all such Creditors the existence of this transaction, and has not and will not conceal this transaction or the proceeds to this transaction from any such Creditors. Seller further represents and warrants that: (1) it will not retain possession or control of any of the property transferred under this Agreement following the Closing, except as expressly provided in this Agreement and then only for and on behalf of the account of the Purchaser; (2) the Seller has not been sued or threatened with suit by any Creditor prior to the execution of this Agreement; (3) the Seller has not removed or concealed any assets from any Creditors; (4) the Seller has not incurred any substantial debt that is significantly greater than the normal and customary debts of the Seller in the ordinary course of business; (5) the Seller at Closing believes in good faith that Seller will receive consideration reasonably equivalent to the value of the Assets transferred under this Agreement; and (6) no applicable bulk sales law or similar statute exists which would prevent the sale of the Assets to Purchaser or require approval by any of Seller's creditors of the sale of the Assets to Purchaser.

4. Representations and Warranties of Purchaser

Purchaser represents and warrants to Seller as follows:

4.1 Corporate Status

Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware with full corporate power and authority to carry on its business as now conducted.

Initials: Seller DDH
Purchaser MR

4.2 Authority for Agreement

Purchaser has the power and authority to execute and deliver this Agreement and to carry out its obligations hereunder. The execution, delivery and performance by the Purchaser of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Purchaser. This Agreement has been duly executed by Purchaser and the transactions contemplated by it constitute the legal, valid and binding obligation of Purchaser enforceable against Purchaser in accordance with its terms. No consent, approval, or authorization of, or declaration, filing, or registration with, any federal or state governmental or regulatory authority is required to be made or obtained by Purchaser in connection with the execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated by this Agreement, except approval of applicable public service commissions.

4.3 No Conflicts

To the best of Purchaser's knowledge, the execution, delivery and performance of this Agreement and the consummation of all of the transactions contemplated hereby: (i) do not and will not with or without the giving of notice or passage of time or both, violate, conflict with or result in a breach or termination of any provision of, or constitute a default under, or accelerate or permit the acceleration of the performance required by the terms of, or result in a creation of any mortgage, security interest, claim, lien, charge or other encumbrance upon any of the Assets pursuant to, or otherwise give rise to any liability or obligation under any agreement, mortgage, deed of trust, license, permit or other agreement or instrument, or any order, judgment, decree, statute, regulation or any other restriction of any kind or description to which Purchaser is a party or by which Purchaser or the Assets may be bound; and (ii) will not terminate or result in the termination of any such agreement or instrument, or in any way affect or violate the terms and conditions of, or result in the cancellation, modification, revocation or suspension of, any rights in or to the Assets.

5. Seller's Obligations Before Closing

Seller covenants that from the date of this Agreement and until the Closing Date

(a) Purchaser and its counsel, accountants and other representatives shall have full access to all properties, books, accounts, records, contracts and documents

Initials: Seller AAH
Purchaser MR

of or relating to the Assets, but Purchaser shall not have access to any information not related to the Assets. Seller shall furnish or cause to be furnished to Purchaser and its representatives all data and information concerning the Assets that may be reasonably requested. Seller agrees that, unless and until the Closing has been consummated, Seller and its officers, directors and other representatives will hold in strict confidence, and will not use to the detriment of Purchaser, all data and information with respect to Purchaser and Purchaser's business and operations obtained in connection with this transaction or Agreement. If the transactions contemplated by this Agreement are not consummated, Purchaser will return to Seller all data and information that Seller may reasonably request including all documents prepared or made available to Purchaser by Seller in connection with this Agreement.

(b) Seller will, with respect to the Qualified Customer Accounts, carry on its business and activities diligently and in substantially the same manner as they previously have been carried out and shall not make or institute any unusual or novel methods of management or operations to the detriment of Purchaser that vary materially from those methods used by Seller as of the date of this Agreement relating to the Qualified Customer Accounts, without the prior written consent of Purchaser.

6. Covenants

6.1 Further Assurances

At any time and from time to time after the Closing Date, each party shall, without further consideration, execute and deliver to the other such other instruments of transfer and assumption and shall take such other action as the other may reasonably request to carry out the transfer of the Assets and the assumption of the specific liabilities contemplated by this Agreement.

6.2 Standstill; Public Announcement

Prior to the Closing or termination of this Agreement, Seller agrees not to directly or indirectly solicit, entertain or encourage offers or negotiate with any other person or entity regarding the purchase or sale of the Assets except with respect to the release of the lien(s) and priority on the Assets currently existing in favor of Wiltel. Seller shall not make any public announcement with respect to the subject matter of this Agreement. Purchaser intends to make an announcement consistent with its public disclosure obligations

Initials: Seller AAK
Purchaser MC

7. Conditions Precedent

7.1 Conditions to Obligations of Purchaser

The obligation of Purchaser to pay the Purchase Price to Seller and to satisfy its other obligations hereunder shall be subject to fulfillment (or waiver by Purchaser) at or prior to the Closing, of the following additional conditions, which Seller agrees to use its best efforts to cause to be fulfilled:

(a) Representations, Performance

The representations and warranties of Seller contained in Section 3 hereof shall be true in all material respects at and as of the Closing Date, except as affected by the transactions contemplated hereby. Seller shall have duly performed and complied with all agreements and conditions required by this Agreement to be performed, or complied with, by it prior to or on the Closing Date. There shall have been no material adverse change in the Qualified Customer Accounts.

(b) Consents

Seller shall have provided full cooperation to Purchaser with respect to Purchaser's responsibility to apply for any required material approvals, acceptances and consents of or to the transactions contemplated hereby, including notice to applicable public service commissions.

(c) Corporate Proceedings

All corporate and other proceedings of Seller in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such corporate proceedings shall be reasonably satisfactory in substance and form to Purchaser, and Purchaser shall have received all such documents and instruments, or copies thereof.

(d) New Agent Agreements

All agreements with any of Seller's agents who Purchaser, in its sole discretion, deems necessary to preserving the integrity of the Assets purchased hereby

Initials: Seller DDH
Purchaser JL

shall have been successfully negotiated and fully executed.

(e) **Forfeiture of Dialers/Equipment**

All dialers and other customer equipment currently owned and used by Seller to service the Qualified Customer Accounts shall have been forfeited and/or donated by Seller to the customers utilizing said dialers and equipment.

(f) **Financial Statements**

Seller shall have provided Purchaser with all audited financial statements and unaudited interim financial statements which are required by Regulation S-X of the Securities Act of 1933, as amended.

(g) **No Material Changes**

No material changes shall have occurred affecting: (1) the financial position of Seller; (2) the information previously disclosed to Purchaser; or (3) the Assets to be purchased hereunder, including but not limited to encumbrance or impairment of the Assets in any manner whatsoever.

(h) **Minimum Net Toll Usage**

Net Toll Usage, to be calculated at 5:00 p.m. CST on May 22, 1996, shall be equal to or greater than $600,000.

7.2 **Conditions to Obligations of Seller**

The obligations of Seller to deliver the bill of sale, assignments, endorsements and other instruments of transfer relating to the Assets and to satisfy Seller's other obligations hereunder shall be subject to the fulfillment, on or prior to the Closing Date (or waiver by Seller), of the following conditions, which Purchaser agrees to use its best efforts to cause to be fulfilled:

(a) **Representations, Performance**

The representations and warranties of Purchaser contained in Section 4 hereof shall be true at and as of the Closing Date. Purchaser shall have duly performed

Initials: Seller BDG
Purchaser MK

and complied in all material respects with all agreements and conditions required by this Agreement to be performed, or complied with, by it prior to or on the Closing Date.

(b) **Corporate Proceedings**

All corporate and other proceedings in connection with the transactions contemplated by this Agreement, and all documents and instruments incident thereto, shall be satisfactory to Seller and Seller shall have received all such documents and instruments, or copies thereof.

(c) **No Material Changes**

No material changes in the financial position of Purchaser or material changes in the information previously disclosed to Seller shall have occurred.

8. Use of Name

Purchaser and its affiliated entities shall have the right to use the names "Universal Network Services, Inc.", "UNS", "Uni-Net" and all other names currently being used by Seller in the conduct of its business with respect to the Qualified Customer Accounts for a period of ninety (90) days following the Closing Date.

9. Indemnification Manner of Claims

9.1 **Indemnification**. From and after the Closing Date, Seller will indemnify Purchaser against, and hold Purchaser harmless from, any and all liability, damage, deficiency, loss, cost or expense (including reasonable attorney's fees) that is based upon or that arises out of (i) any misrepresentation or breach of any representation, warranty or agreement made by Seller herein (ii) any obligation, debt or liability of Seller to the extent that the same is not expressly assumed herein by Purchaser, or (iii) the use and ownership of the Assets on or prior to the Closing Date (other than those liabilities specifically assumed by Purchaser hereunder).

9.2 **Manner of Claims**

Any notice of a claim by reason of any of the representations and warranties contained in this Agreement shall state specifically the representation or warranty with respect to which the claim is asserted, and the amount of liability asserted against the other

Initials: Seller ______
Purchaser ______

party by reason of the claim.

10. Miscellaneous

10.1 Consents of Third Parties

This Agreement shall not constitute an agreement to assign any interest in any instrument, contract, lease, permit or other agreement or arrangement of Seller, or any claim, right or benefit arising thereunder or resulting therefrom, if any assignment without the consent of a third party would constitute a breach or violation thereof or adversely affect the rights of the Purchaser or Seller thereunder. If a consent of a third party which is required in order to assign any instrument, contract, lease, permit or other agreement or arrangement or any claim, right or benefit arising thereunder or resulting therefrom, which consent Seller shall use its best efforts to obtain prior to the Closing, is not obtained prior to the Closing, or if an attempted assignment would be ineffective or would adversely affect the ability of Seller to convey its interest to the Purchaser, Seller will cooperate with Purchaser in any lawful and economically feasible arrangement to provide that Purchaser shall receive Seller's interest in the benefits under any such instrument, contract, lease, permit or other agreement or arrangement; and any transfer or assignment to Purchaser by Seller of any interest under any such instrument, contract, lease, permit or other agreement or arrangement that requires the consent of a third party shall be made subject to such consent or approval being obtained.

10.2 Expenses

Subject to the terms of Section 9 hereof, each of the parties hereto shall bear its own expenses, costs and fees (including attorney's fees) in connection with the transactions contemplated hereby, including the preparation and execution of this Agreement and compliance herewith, whether or not the transactions contemplated hereby shall be consummated. Notwithstanding the foregoing, Purchaser agrees to pay fifty percent (50%) of the actual fees charged by Seller's audit firm as billed in connection with the audit of Seller's books currently being conducted. In no event shall the audit fees paid by Purchaser pursuant to this paragraph exceed $22,000, provided an additional audit is not required

10.3 Severability

If any term or provision of this Agreement shall be held or deemed to be, or

Initials: Seller GDB
Purchaser MR

shall in fact be, inoperative or unenforceable as applied in any particular case because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the term or provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever, but such term or provision shall be deemed modified or deleted as or to the extent required by applicable law. The invalidity of any one or more phrases, sentences, clauses, sections, or subsections of this Agreement shall not affect the remaining portions of this Agreement.

10.4 Notices

All notices, consents, requests, instructions, approvals and other communications provided for herein in regard hereto shall be validly given, made or served, if in writing and delivered personally or sent by registered or certified mail (return receipt requested), postage prepaid, (i) if to Purchaser at 525 Florida Street, Baton Rouge, Louisiana, 70801, Attn: Mike Ross, President; and (ii) if to Seller at Two Corporate Plaza, Suite 200, Newport Beach, CA 92660, Attn: Dennis Houston, in each case at such other address as may be specified in writing to the other parties.

10.5 Amendment

This Agreement may not be amended except by an instrument in writing, duly executed and delivered on behalf of each of the parties hereto.

10.6 Waiver

Any party may waive compliance by another with any of the provisions of this Agreement. No waiver of any provisions shall be construed as a waiver of any other provision. Any waiver must be in writing.

10.7 Counterparts

This Agreement may be executed in multiple counterparts, each of which shall be deemed an original agreement, and all of which taken together shall constitute one agreement, notwithstanding that all of the parties are not signatories to the original or the same counterpart.

Initials: Seller DDH
Purchaser MR

10.8 Assignment

Any assignment of this Agreement or the rights or obligations hereunder by any party without the prior written consent of the nonassigning parties shall be void. Notwithstanding the foregoing, either party may assign all or any party of its rights and/or obligations to one or more affiliates, subsidiaries, parent companies or shareholders of said party. No such assignment shall relieve the assigning party of any of its obligations or duties under this Agreement.

10.9 Costs

In the event any action is instituted to enforce or interpret the terms of this Agreement or arises out of this Agreement, the party prevailing in such action shall be entitled to recover its reasonable attorney's fees and costs as determined by the court.

10.10 Entire Agreement; Applicable Law, etc.

This Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof. This Agreement shall be governed in all respects, including validity, interpretation and effect, by the laws of the State of Louisiana applicable to contracts made and to be performed in Louisiana.

10.11 Industry Terms and Phrases

All terms and phrases unique to the telecommunications industry and used within this Agreement shall be defined in accordance with the everyday meaning assigned to such terms and phrases within the industry.

10.12 Underlying Carrier Approval.

The transactions contemplated by this Agreement shall be strictly contingent upon the consent and approval, in writing, of any of Seller's underlying carriers who provide service in connection with the Qualified Customer Accounts.

10.13 Special Indemnification.

(a) Seller shall specifically indemnify and hold harmless Purchaser (the

Initials: Seller DWB
Purchaser MR

"**Special Indemnification**") from and against liabilities resulting from: (1) Seller's use of invalid letters of agency/authorization as determined by any local exchange carrier; (2) unauthorized transacting of business by Seller without all necessary state and federal authority and permission; and/or (3) Seller's failure to pay any and all amounts owed by Seller to Tax Resource Group, the Internal Revenue Service and any state taxing authority.

(i) The Special Indemnification shall be due within fifteen (15) days of Seller's receipt of written notice from Purchaser demanding same and shall be paid first in the form of the Escrowed Shares.

(ii) The number of Escrowed Shares to be paid shall be calculated using the average closing share price for the five (5) trading days prior to the date of the Special Indemnification.

(iii) If the Escrowed Shares are insufficient to fully indemnify Purchaser pursuant to this paragraph, Seller shall pay Purchaser a sufficient number of shares of Restricted Stock to complete the Special Indemnification.

(iv) Seller may, in its discretion, utilize cash for all or a portion of any Special Indemnification due as a result of this paragraph.

(b) Seller hereby agrees to defend, indemnify and hold Purchaser harmless from and against any liabilities for which Purchaser pays, or is asked to pay, by any and all of Seller's currently existing creditors and/or the Internal Revenue Service.

11. Termination.

11.1 Mutual Consent. This Agreement may be terminated at any time prior to the Closing by mutual consent of Seller and Purchaser, expressed by action of their respective Boards of Directors.

11.2 Remedies on Termination. In the event any party hereto, without the right to do so under this Agreement, shall fail or refuse to consummate the transactions contemplated by this Agreement, or if any default under, or breach of, any representation, warranty, covenant or condition of this Agreement on the part of any party shall have occurred that results in the failure to consummate the transactions contemplated hereby, then, in addition to any other remedies provided in this Agreement or by applicable law, the nondefaulting party shall be entitled to obtain from the defaulting party costs and expenses.

Initials: Seller ADH
Purchaser MR

including reasonable attorney's fees, incurred by it in enforcing its rights hereunder, including but not limited to the right to seek specific performance of this Agreement.

12. Additional Terms, Covenants, etc.

12.1 Registration of Restricted Stock.

(a) Purchaser hereby warrants that, after sixty (60) days from the Closing and upon Seller's request, it will file a Form S-3 Registration Statement with the Securities Exchange Commission to apply for registration of the Restricted Stock issued hereby in order to allow Seller the ability to sell or transfer its Restricted Stock. Any covenants of Purchaser contained in this paragraph (a) shall be subject to and limited by the terms and conditions of the Lock-Up Agreement referred to in paragraph (b) below.

(b) At the Closing, the parties shall enter into a mutually acceptable lock-up agreement **(the "Lock-Up Agreement")**, a copy of which is attached hereto as **Exhibit 12.1(b)**, containing certain restrictive covenants regarding share ownership and transfer of shares.

12.2 Tri-Party Agreement

All of Purchaser's obligations hereunder, including but not limited to Purchaser's obligation to close the transactions contemplated hereby, shall be strictly contingent upon the successful negotiation and execution, within ten (10) days of the date of this Agreement, of a tri-party agreement **("Tri-Party Agreement")** between Seller, Purchaser and Wiltel pursuant to which Wiltel: (1) agrees to the release of its security interest covering the Assets; (2) consents to the transactions contemplated herein; and (3) agrees to allow Purchaser to immediately transition all Qualified Customer Accounts to Purchaser's own Wilmax contract at no additional cost to Purchaser and with no interruption of service to the customers whose accounts are so transitioned. In the event a Tri-Party Agreement is not so executed within ten (10) days of the date of this Agreement, then Purchaser may terminate this Agreement in full and with no penalty or liability whatsoever.

Initials: Seller DWH
Purchaser MR

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first written above.

Network Long Distance, Inc.

By: ______________________

Name: Mike Ross
Title: President

Attest:

By: ______________________

Name: David Rosenfeld
Title: Assistant Secretary

Universal Network Services, Inc.:

By: ______________________

Name: Dennis Houston
Title: President

Attest:

By: ______________________

Name: John H. Brownell
Title: Secretary

Initials: Seller DDH
Purchaser MR

EXHIBIT B

NETWORK LONG DISTANCE FINANCIAL DATA - FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
[FEE REQUIRED]

For the Fiscal Year ended: **March 31, 1995**

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
[NO FEE REQUIRED]

For the transition period from ________ to ________

Commission File No. 0-23172

NETWORK LONG DISTANCE, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	72-1122018
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

525 Florida Street
Baton Rouge, Louisiana 70801
(Address of Principal Executive Offices, Including Zip Code)

Registrant's telephone number, including area code: **(504) 343-3125**

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

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

Common Stock, .0001 Par Value Per Share
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 X No __

As of June 13, 1995, 2,979,890 shares of common stock were outstanding. The aggregate market value of the common stock of Network Long Distance, Inc. (the "Company") held by nonaffiliates as of June 13, 1995 was $12,806,408.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not 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-K or any amendment to this Form 10-K. **[X]**

Documents incorporated by reference: **None.**

This Form 10-K consists of **49 pages**. **Exhibits are indexed at page 32.**

PART I

Item 1. Business.

General

Network Long Distance, Inc. (the "Company") provides long distance and telecommunication services sold to end-users by resellers of the Company's services ("switchless reseller division"), turnkey long distance services sold to end-users by master agents of the Company ("agent division") and long distance services sold directly to end-users ("retail division").

The Company provides long distance telecommunications services to commercial and residential customers. The Company transmits long distance telephone calls through and over various types of transmission circuits leased from other telecommunications carriers at fixed or variable rates. Calls may be routed through the Company's switching center, which selects the least expensive among the various available transmission alternatives to complete the call. Calls can also be completed by various underlying carriers. The Company provides billing, customer service and other features relative to the call. Profits are based on the Company's ability to charge rates in excess of the Company's cost of transmitting calls over the transmission lines selected by the switching equipment or in excess of underlying carrier costs.

Over the past three (3) years the Company has grown rapidly and is a provider of long distance services throughout the United States. The Company's main services include MTS (Message Telecommunication Service), which is also referred to as direct distance dialing (DDD) or 1+ dialing. Other long distance products include WATS, private line, travel (calling cards), and 800 services for incoming toll-free calls (the called party pays for the call). The following table shows the results of each of the last three fiscal years:

	For the Year Ended March 31,		
	1995	1994	1993
Revenues	$24,216,948	$10,621,705	$4,509,520

The long distance industry is dominated by the four largest long distance providers. AT&T, MCI, Sprint Communications, and WorldCom, each with revenues over $1 billion, comprise the first tier in this industry. The second level is comprised of companies under $1 billion but in excess of $100 million in annual revenues. The Company's goal is to establish itself as a second-level long distance telecommunications company. The Company will attempt to achieve this goal through its planned acquisition of other long distance companies, increased sales utilizing the Company's reseller, agent and retail distribution channels and the addition of new services for its customers.

Industry Overview

The competitive long distance telecommunications industry has evolved principally as a result of the divestiture in 1984, by AT&T of its local exchange operations which are collectively known as Bell Operating Companies ("BOCs"). AT&T's former local business has been divided into seven regional Bell operating companies ("RBOCs") (NYNEX, Bell Atlantic, Bell South, Ameritech, U.S. West, SBC Communications and Pacific Telesis).

As part of the AT&T consent decree, the United States was divided into approximately 200 geographic areas known as Local Access Transport Areas or "LATAs." Under the decree, RBOCs are now permitted only to provide for local and long distance service originating and terminating within a LATA ("IntraLATA" traffic). Long distance service between LATAs ("InterLATA" traffic) is provided by long distance companies known as "interexchange carriers" and include such companies as AT&T, MCI, Sprint and the Company.

The consent decree also requires the RBOCs and other local exchange carriers to provide interexchange carriers with access to local telephone exchange facilities which are "equal in type, quality and price" ("Equal Access") to that provided to AT&T. In addition, regulations were mandated in order to place all long distance carriers on equal competitive footing. Prior to equal access, customers of long distance carriers other than AT&T frequently had to dial a local access number and a personal authorization code to make a long distance call. These requirements were, for the most part, eliminated by the equal access regulations, under which a customer is given the opportunity to designate its primary long distance carrier. Now, to connect with the network of their long distance carriers, customers merely dial "1", the area code and the telephone number of their desired call destination, which is the same method of access available to customers of AT&T in all markets ("1 + dialing").

The AT&T consent decree and federal regulations mandating equal access constitute the fundamental regulatory framework that allow interexchange carriers other than AT&T to compete in the long distance market. The Company views the long distance industry as a three-level industry, of which AT&T, MCI, Sprint, and WorldCom comprise the first-level with annual revenues in excess of $1 billion. The second-level is comprised of companies with less than $1 billion, but more than $100 million, in annual revenues. The Company is positioned in the third-level, with annual revenues of less than $100 million. Competition in the industry is based on pricing, customer service, network quality and value-added services.

There has been significant growth in the long distance service industry during the past several years. According to a 1992 FCC report based on information supplied by the National Exchange Carrier Association, aggregate interstate switched access minutes increased at a compound annual rate of 11.9% during the seven year period ended December 31, 1991. The FCC report also indicated that aggregate long distance revenues reported by long distance carriers to their stockholders during the 1991 calendar year amounted to $60.7 billion. The compound annual growth rate for long distance revenue was 6.0% from 1984 through 1991.

According to the FCC report, the percentage of long distance revenues earned by second- and third-level carriers, such as the Company, has also increased since 1984. The first-level companies earned 88.5% of such 1991 revenues, as compared to 97.4% in 1984, while the second- and third-level carriers accounted for 11.5% of such 1991 revenues, as compared to 2.6% in 1984. Aggregate long distance revenues of the second- and third-level carriers grew at a compound annual rate of 31.3% from 1984 through 1991.

Such FCC data also indicated an increase in aggregate long distance revenues of first-level carriers of 4.2% for the nine months ended September 30, 1992, over the corresponding period in 1991. By contrast, revenues of second- and third-level carriers increased by 12.3% between such periods.

History

The Company, a Delaware corporation, was formed on December 3, 1987, under the name Harmoney Street Capital, Inc. and was primarily in the business of seeking business opportunities and a merger candidate. To this end, on December 19, 1990, the Company acquired 100% of the outstanding shares of M.M. Ross, Inc., a private Louisiana corporation formed in 1979 by the Company's President, Michael M. Ross, and its Treasurer, Marc I. Becker, which began providing long distance service prior to the divestiture by AT&T of the Bell operating companies. Since 1990, the Company has continued to expand its services and customer base and is now exclusively a long distance telecommunications company. Accordingly, in August, 1991, the Company changed its name to Network Long Distance, Inc. to more accurately reflect its operations.

Strategic Approach

The Company's objective is to reach a volume of revenues that would enable it to be classified as a second-level long distance company with annual revenues in excess of $100 million. In order to reach this level, the Company will attempt to increase revenue, improve cash flows and increase earnings by implementing the following business strategies:

Nationwide Origination

The Company provides nationwide origination of long distance services. This enables retail, agent and switchless reseller customers to be added in any of the 48 contiguous United States, thereby enabling expansion to occur on a national, rather than regional basis.

Build Call Volume

In order to reach certain economies of scale, the Company will continue to focus on building minutes of long distance traffic by region, to defined levels, prior to establishing an independent switching system for that region. This strategy allows the Company to build call volumes within geographic areas without incurring large capital expenditures for switching equipment until the call volumes meet an acceptable predefined level. Once the

Company has established the call volumes to an acceptable level, the Company can reduce its cost of transmission by establishing a switching system.

The management of the Company is experienced at traffic engineering, utilized to evaluate the optimum network configuration which will reduce the Company's costs. Retail, agent and switchless reseller customers will receive the benefits of a network configuration that provides for lower cost transmission in markets where call volume is high and supported by the Company's switching systems. In addition, due to the Company's large volume of traffic, the Company has negotiated long distance facility arrangements that allow it to provide a low cost per minute in the other areas in which it operates.

Consolidation to Support Marketing

The Company has a strategic plan for acquiring small and medium-size long distance telephone companies as a method of achieving controlled growth. The size of the acquisition targets is a key concept in the Company's acquisition strategy. Combining small- and medium-size long distance companies creates large gains in market share and immediate operating improvements through economies of scale. The Company's plan is to use the consolidation of other long distance companies operating throughout the United States into a platform to serve the sales made by retail, agent and switchless resellers.

The Company has and will seek additional affiliations with existing marketers of long distance telephone services, agents and switchless resellers, which sell to their end users' long distance telecommunications services that utilize the Company's existing relationships and facilities. These marketing companies supplement the Company's direct sales staff and act as the Company's nationwide distribution channel.

Principal Divisions

The Company attempts to maximize minutes from all three divisions of its long distance telecommunications market. The Company primarily focuses its efforts and expansion philosophy on the switchless reseller and agent divisions because it believes that larger interexchange carriers are not offering comprehensive services to these markets.

Switchless Reseller

As providers of long distance services to their end-user retail customers, switchless resellers constantly strive to reduce their variable costs of access to long distance transmission facilities and services. Switchless resellers' margin is the difference between the variable costs of long distance services utilized by switchless resellers and the price at which they sell such services.

Historically, first-level interexchange carriers have provided the bulk of transmission facilities and services to switchless resellers. However, in recent years, such interexchange carriers have provided less favorable pricing to switchless resellers and have not offered all of the support services necessary, forcing them to look to other providers. While a large number of companies compete in the switchless reseller market, the Company believes resellers are attracted to the Company because of the range of transmission, billing and other support services available from the Company.

The Company typically provides origination and termination services to its switchless reseller customers. Long distance service requirements of switchless resellers vary depending on their retail customer base, existing service capability and regional location.

Agent

Master agents sign non-exclusive contracts with the Company to represent the Company and sell its long distance services to end-users. The agents are paid a variable commission on each service sold. While a large number of companies compete in the agent market, the Company believes master agents are attracted to the Company due to the high quality, commissions, products and support of its services.

The Company provides turn-key long distance service for master agents. These services include everything necessary for set up of end-user accounts, transmission, billing, customer support, credit and collection and all other services. Master agents build their own network of agents.

Retail

The Company's retail division currently concentrates on commercial customers, which use long distance services more frequently on weekdays during normal business hours, as compared to residential users who tend to place calls more frequently at night and on weekends when rates are lower. The Company believes that commercial customers tend to use long distance services more often and generate more billable minutes than residential users. The Company primarily targets commercial customers which incur monthly phone charges of approximately $200 to $10,000.

The Company provides long distance services to retail customers who utilize the Company's services throughout the United States. The Company offers a variety of value-added features and options designed to attract the interest of long distance customers. For example, the Company offers unique billing reports, which display the calls made in number called order; an inbound "800", which service permits the customer to be billed for all incoming long distance calls and a travel card service, which permits customers to utilize the Company's network from locations outside of their own service areas. The Company primarily charges its customers on the basis of minutes of usage at rates that vary with the time of day of call.

Rates and Charges

Management believes that its rates generally will remain competitive with or below rates charged by long distance carriers such as AT&T, MCI and Sprint and most other common carriers. The savings realized by customers of the Company and other long distance carriers may decrease in the future if and to the extent AT&T further reduces its rates. See "Competition" and "Regulation."

The Company charges its customers on the basis of minutes or partial minutes of use at rates which may vary with the distance, duration, time of day of the call and the type of call. Rates charged for a call are not affected by the particular transmission facilities selected by the Company's switching system for call transmission but are affected by the type of call a user may select. The Company performs its own billing functions for most of its customer base, and, also uses an independent billing company to invoice certain customers in conjunction with their local telephone bills.

Facilities

The Company leases digital, fiber optic transmission facilities at either fixed rates or at rates which vary according to usage. The Company leases these facilities at rates which are less than those charged to its customers for connecting calls through these facilities. The continued availability of cost-effective digital, fiber optic transmission facilities in certain of the Company's service origination areas, as well as proper planning of the utilization of leased transmission facilities, is critical to the Company's ability to provide its services on a profitable basis.

Fixed cost leased facilities include intercity private line circuits provided by other facilities based bulk carriers. Bulk carriers are also known as "carrier's carriers" and provide large bundled transmission capacity. These circuits represent point-to-point bulk circuits which are broken down by the Company into retail and resale subscriber capacity. For routes that carry high volumes of traffic, the Company's fixed cost facilities normally cost the Company less per minute of usage than usage sensitive facilities. Accordingly, the Company, through use of its computerized network switching equipment and its contract negotiations, endeavors to maximize usage of fixed cost leased facilities and negotiated rates from its underlying carriers.

The Company contracts with other various underlying telecommunication carriers to provide origination and terminating transmission of calls not switched by the Company. Currently, the Company provides direct billing to end users, billing tapes and other enhancements. The Company is dependent upon the underlying carriers for competitive contract arrangements.

Network Switching

The Company's computerized network switching equipment, to which some long distance calls are directed, routes the calls to their destinations over leased transmission circuits then available at the least cost. In addition to networking, the Company's switching equipment verifies the customer's preassigned personal authorization code or the telephone number called from, records billing data, tests transmission circuits, and monitors system quality and performance.

The Company believes that digital switches are generally superior to all other currently available types of switches. Digital switches are able to interface with digital transmission facilities leased by the Company, and are able to handle multiple transmission channels on a single line, thereby reducing transmission costs. A digital switch also provides superior quality and ease of maintenance.

The Company's current switching equipment is manufactured by DSC Communications Corporation. DSC Communications Corporation is the sole supplier of the Company's switching equipment; however, the Company believes other sources are available for digital switching equipment at comparable prices and quality and may elect to use one or more of these vendors in the future.

Sales and Marketing

The Company utilizes an in-house sales staff which consists of a marketing manager, sales manager, and account executives. This staff is responsible for the switchless reseller, agent and retail division accounts. The sales staff utilizes various marketing techniques to solicit customers and continually monitors existing customer accounts to insure satisfaction with the Company's services. In addition, the Company supplements sales efforts with switchless resellers and independent master agents (collectively referred to herein as "marketing companies") who sell the Company's services to their end-users.

Marketing companies concentrate on the sale of long distance telecommunications products and services through a sales force of regional and nationwide agents who solicit commercial and residential retail customers. The marketing companies generally solicit accounts through face to face meetings with small to medium business accounts. Marketing companies typically establish a network of agents built on a foundation of continued residual commissions on customer accounts serviced by the Company. Currently, marketing companies provide the largest part of the Company's sales efforts.

The Company anticipates hiring additional in-house sales representatives, expanding its participation in national, regional and local trade shows and expanding its line of public information and advertising materials.

Business Expansion

It is estimated that there are currently more than 300 small and medium-sized long distance companies operating throughout the United States which are similar to the Company in terms of operating revenues and customer base. The Company will evaluate several of these companies with a view to their acquisition or purchase of their customer base. The addition of these entities will enable the Company to increase its operating efficiency without a significant increase in overhead by realizing economies of scale.

The Company believes that the larger long distance companies such as AT&T, MCI, Sprint, and WorldCom are no longer actively pursuing acquisition of small and medium-sized long distance companies because it adds only marginally to their market size and economies of scale. This provides an opportunity for the Company to acquire these small and medium-sized long distance companies without competition from the larger long distance companies.

The Company is in the process of identifying specific candidates and has executed agreements, understandings, and commitments to acquire some targeted companies. The Company has completed the acquisition of six customer bases in Texas, New Jersey, Louisiana, New York, Nevada and Oklahoma. The Company's goal is to establish itself as a second-level long distance telecommunications company, and believes through acquisitions and the resulting economics of scale it will be able to achieve this goal.

Competition

The Company competes with numerous interexchange carriers and resellers, some of which are substantially larger, have substantially greater financial, technical and marketing resources, or utilize larger transmission systems than the Company. AT&T is the dominant supplier of long distance services in the United States InterLATA market. The Company also competes with other national interexchange carriers, such as MCI, Sprint, WorldCom and regional long distance telecommunications companies. The Company believes that the principal competitive factors affecting its market share are pricing, transmission quality, customer service, cost of underlying facilities and, to a lesser extent, value added services. The Company believes that it competes effectively with other interexchange carriers and resellers in its service areas on the basis of these factors. The ability of the Company to compete effectively will depend upon its continued ability to maintain high quality, market oriented services at prices generally equal to or below those charged by its competitors.

In the United States, price competition in the long distance business generally has increased in intensity over the last five years. The FCC has, on several occasions since 1984, approved or required price decreases by AT&T. Additionally, the FCC's approval of the AT&T "price cap" proposal and the filing of AT&T's Tariffs 12 and 15 has intensified this price competition. Since the Company believes that its service offerings and those of its principal competitors are priced at or below the prices charged by AT&T for its telecommunications services, reductions by AT&T in its rates result in similar price decreases by the Company and by such competitors. The Company anticipates that the FCC's application of "price cap" regulations to the Bell Operating Companies and other local exchange carriers may similarly intensify price competition but may also have a negative impact through imposition of higher local access charges. The Company believes that it has maintained its prices at competitive levels and maintained adequate margins through aggressive purchasing of its network from its vendors. This has enabled the Company to maintain an adequate margin even as prices have decreased due to competitive pressures. See "Regulation" below.

The Company faces extensive competition in its three customer divisions for long distance services. Other long distance carriers offer similar services, and there are a number of major carriers which offer products similar to those of the Company. However, not all long distance carriers compete in each product line.

In June, 1995, the United States Senate approved legislation allowing, among other items, the BOCs to enter the long distance telecommunications market, providing a showing by the BOCs of significant competition in the local telephone exchange market. The House of Representatives is expected to bring a similar bill to the floor for a vote in July, 1995.

Federal Regulation

AT&T is considered a dominant carrier by the FCC. However, in recent years, the FCC has substantially reduced its regulation of AT&T's operations. AT&T must file tariffs for all its services, but the FCC no longer requires AT&T to set service prices to achieve a target rate of return. Instead, most AT&T services are subject to so called "price cap" regulation. Under price caps, AT&T has substantial flexibility to raise and lower prices provided that the overall average rates for certain services do not exceed specified levels. Furthermore, the FCC has permitted AT&T to enter into the tariff individually-negotiated contracts with customers. This deregulation of AT&T has permitted it to compete more vigorously with the Company and other long distance carriers. More recently, following implementation of new 800 service technology in May 1993, the FCC deregulated AT&T further by reducing oversight of AT&T's 800 service pricing.

As a non-dominant interexchange carrier, the Company is not required to obtain certificates of public convenience and necessity from the FCC, except that the FCC still requires non-dominant carriers to obtain authority to provide international services. The Company has authority from the FCC to provide interstate services, international services and to provide international resale service on a worldwide basis. In addition, until recently, under the FCC's forbearance policy, the Company was not required to file tariffs with the FCC other than with respect to international services and except for informational tariffs which must be filed with respect to operator services.

On November 13, 1992, however, the United States Court of Appeals for the District of Columbia Circuit ruled that the FCC lacks the authority to waive the requirements that non-dominant carriers file tariffs. In response to the Court of Appeals' action, the FCC began a rule making proceeding to decide what standards it should apply to tariff filings by non-dominant carriers and proposed to require minimum tariffing. Meanwhile, non-dominant carriers who previously did not have tariffs on file began to submit them to the FCC. In those tariffs, carriers typically stated their basic service rates but reserved the right to charge discounts off basic rates to individual customers without expressing those specific discounts in their tariffs. The FCC rule making notice suggested that such an approach would be lawful. Only July 7, 1993, however, the Federal District Court in Washington, D.C. granted AT&T's request for a preliminary injunction ordering MCI to file tariffs specifying the charges to each MCI customer receiving a discount off standard tariff rates. On July 19, 1993, MCI requested reconsideration of this decision, or alternatively, clarification of the order to apply it to all carriers, including the Company. As a result of these matters, the Company may be required to file detailed tariffs disclosing discounts offered to individual customers. The FCC is not expected to begin reviewing non-dominant carrier rates more stringently than in the past. Nevertheless, an obligation to file complete tariffs as contemplated by the court would be an administrative burden. At this time, the full consequences of these developments cannot be determined, but any federal tariff requirements that would require full tariffing of the Company's pricing could have a material adverse effect on their operations.

Separately, in February 1993, AT&T sued MCI, Sprint and WilTel, Inc. for damages in federal court based on their failure to file complete tariffs in the past. The court litigation is still in its preliminary stages. MCI has asked the FCC for a declaratory ruling that carriers who did not file tariffs in reliance on the now-invalidated FCC policy will not be liable for damages. The defendants also are expected to argue that their failure to file tariffs for all their services, to the extent this was the case, did not cause competitive damages to AT&T in any event.

Absent an FCC grant of MCI's requested declaratory ruling on either action (the nature and likelihood of which cannot be predicted at this time), the Company similarly could be subject to complaints seeking damages filed by any party claiming to be injured by their past failure to file detailed tariffs (including discounts negotiated with specific customers) in reliance on the FCC's forbearance policy. The Court of Appeals' decision suggests that reliance upon the forbearance policy does not excuse the failure to file tariffs, because the forbearance policy itself was unlawful. The Court of Appeals' decision does not, however, require the FCC to assess forfeitures or damages or take any other specific enforcement action against those carriers who relied upon its policy which was held to be unlawful, although it does direct the FCC to give further consideration to the issue of damages in the context of a complaint by AT&T against MCI that was the underlying subject of the Court's decision. At this time, the Company cannot predict either the likelihood of the filing of such complaints against it or the likelihooc that such complaints would prevail in any court proceeding.

In 1984, pursuant to the AT&T Divestiture Decree, AT&T divested its 22 wholly-owned BOCs. In 1987, as part of the triennial review of the AT&T Divestiture Decree, the U.S. District Court for the District of Columbia denied the BOCs' petition to enter, among other things, the interLATA long distance telecommunications business. The District Court's ruling was appealed to the United States Court of Appeals for the District of Columbia, which, on April 3, 1990, affirmed the District Court's decision to retain the interLATA prohibition for the BOCs. That ruling, however, does not preclude the BOCs obtaining relaxation or removal of the interLATA prohibition in the future. For example, the RBOCs have requests pending seeking waivers of the AT&T Divestiture Decree that would permit them to provide mobile and information services on an interLATA basis. Similarly, five RBOCs recently asked the FCC to begin a proceeding to establish rules to govern their provision of interLATA service, explaining that such rules would then support elimination of the AT&T Divestiture Decree restrictions. Another RBOC, Ameritech Corporation, has a similar proposal pending. The BOCs also have sought legislative action to remove the prohibition on interLATA services. If the BOCs ultimately are permitted to provide interLATA long distance telecommunication services, the Company would likely face substantial additional competition.

The FCC also regulates the rates for interstate access charges. Access charges of LECs represent a substantial portion of the overall cost of providing long distance service. The largest LECs price access under a price cap system similar to the one adopted for AT&T, which allows them substantial latitude to adjust specific access rates. Other LECs offer access under more traditional rate of return regulations.

Under a provision of the AT&T Divestiture Decree, the divested BOCs were requ to charge AT&T and all other IXCs, including the Company, equal rates on a per-mir basis for "local transport" service. Local transport service is the transmission of switc long distance traffic for local transport service which has been based upon this "ec charge per unit" rule since 1983, pursuant to the AT&T Divestiture Decree and the FC related waivers of its local transport pricing rules. The portion of the AT&T Divestit Decree containing this rule ceased to be effective by its terms on September 1, 1991, t the FCC has continued to require such pricing since that date while new access rules w developed in a rule making proceeding.

The FCC has adopted interim access rules, effective for approximately two ye beginning December 1993, under which LECs will offer switched transport on a capacit as well as a usage, basis. This change may allow IXCs with higher traffic volumes reduce their switched access costs, while rates for smaller carriers may increase.

"Dedicated" capacity transport is primarily used by carriers transporting large volume of traffic, especially, but not exclusively, AT&T, while "tandem-routed" usage transport used by most other IXCs primarily for lower volumes. The Company relies predominantly although not exclusively, on tandem-routed transport service for its access. The FC expects the access cost differentials faced by large and smaller IXCs under the "interim rules to be relatively small, but some preliminary indications suggest that the increases coul be large enough to have adverse competitive consequences for smaller carriers such as the Company. In addition, some parties have requested reconsideration of the "interim" rules and rate differentials could increase as a result of this.

The "interim" access rules are scheduled to expire in late 1995, and the FCC has not yet decided what permanent rules should replace them. If the FCC were to adopt rules advocated by AT&T and some of the BOCs, the Company would face increases in its switched access expenses, both in absolute terms and relative to AT&T and possibly other IXCs. In addition, depending upon the rate structure mandated by the FCC, the Company could face substantial increases in switched access expenses in specific geographic areas, particularly those in which switched traffic volumes are relatively low.

The FCC also has taken action to encourage competition for access services by permitting competitive access providers ("CAPs") and other parties to interconnect at LEC central offices. These interconnection developments are still at an early stage. However, it is possible that AT&T could benefit more than other carriers. AT&T's size could permit it to negotiate substantially lower access charges from either the LECs or the CAPs depending upon how those charges are regulated.

State Regulation

The Company's intrastate long distance telecommunications operations are subject to various state laws and regulations. Most states require some form of certification for intrastate telecommunications services, and some require filing of tariffs and regulate the rates for such services. The degree of regulation varies significantly from state to state.

The Company's intrastate services are subject to the regulatory schemes of the state regulatory authorities in each of the states in which intrastate services are provided. Paralleling the reduced level of regulation by the FCC, many of these jurisdictions are relaxing the regulatory restrictions currently imposed on AT&T and the LECs for intrastate service. To date the Company generally has not experienced unusual difficulties or delays in obtaining necessary state authorizations. Some states, however, restrict or condition the offering of intraLATA long distance service by the Company and other IXCs. States that do permit the offering of intraLATA service by IXCs may require that end users desiring to access these services dial special access codes which put the Company at a disadvantage compared to LEC intraLATA toll service, which generally requires no similar access code. In many states, resale carrier certification encompasses the provision of operator services, while in other states, the issue remains unaddressed or unresolved. Enactment of the 1990 Act materially affected state regulation of Operator Service Providers (companies which handle and route long distance calls with the assistance of a live operator or an automatic computer based console) in that uniform consumer notice and information provisions now generally are applied throughout the country.

The states also regulate LEC access charge arrangements used by IXCs like the Company for the origination and termination of intrastate calls. As noted above, access rates represent a substantial portion of the costs of providing long distance services. Some states are considering revision of their rules governing intrastate access rates similar to the changes under way at the FCC with respect to interstate access services. A few states have permitted competitive intrastate access services, and others are likely to do so in the future. The impact of these state regulatory changes on the Company is uncertain at this time.

There can be no assurance that the regulatory authorities in one or more of the states will not take action having an adverse effect on the business or financial condition of the Company.

Employees

As of June 15, 1995, the Company had 68 full-time employees, including Michael M. Ross, President and Chief Executive Officer, Marc I. Becker, Executive Vice President and Secretary, and Dr. Joseph M. Edelman, Vice President and Treasurer, seven sales and marketing personnel and fifty-eight administrative and support personnel. None of the Company's employees are represented by a union.

Item 2. Properties.

The Company owns a 4,500 square foot building and leases three floors of a building located at 525 Florida Street, Baton Rouge, Louisiana, which comprises its principal offices. The Company maintains its principal offices at 525 Florida Street, Baton Rouge, Louisiana 70801. Its telephone number is (504) 343-3125.

Item 3. Legal Proceedings.

There are no pending legal proceedings, and the Company is not aware of any threatened legal proceedings to which the Company is a party.

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

At the Company's annual meeting, held January 13, 1995, three matters were submitted to a vote of the shareholders of the Company. Shareholders voted to amend the Articles of Incorporation to divide the Board of Directors into three classes, each of which will serve for staggered three year terms; four Directors of the Company were elected to serve: Robert E. Yaw II, Joseph M. Edelman, M.D., Michael M. Ross, and Marc I. Becker; and, to amend the Articles of Incorporation to indemnify the Officers, Directors, employees and agents of the Company as to any threatened, pending or completed action, suit or proceeding pursuant to Section 145 of the Delaware General Corporate Law. In April, 1995 Robert E. Yaw II resigned from the board. It is anticipated that the next annual meeting of the shareholders of the Company will be held in January, 1996.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

(a) Principal Market or Markets. Since February 24, 1994, the Company's Common Stock has traded in the over-the-counter market and listed in the NASDAQ Small-Cap Market System under the symbol "NTWK". The range of high and low prices for each quarter of trading through June 15, 1995:

	High	Low
Fiscal 1995		
Fourth Quarter	$9.00	$7.63
Fiscal 1996		
First Quarter	$9.25	$7.25

On June 15, 1995, the closing price for the Common Stock as reported by the NASDAQ National Market System was $8.88 per share.

(b) Approximate Number of Holders of Common Stock. The number of record owners of the Company's common stock at June 1, 1995, was approximately 195. This does not include shareholders who hold stock in their accounts at broker/dealers.

(c) Dividends. Holders of common stock are entitled to receive such dividends as may be declared by the Company's Board of Directors. No dividends have been paid with respect to the Company's common stock and no dividends are anticipated to be paid in the foreseeable future.

Item 6. Selected Financial Data.

The following selected consolidated financial data of the Company at and for each of the fiscal years in the three-year period ended March 31, 1995, have been derived from consolidated financial statements audited by Arthur Andersen LLP for the fiscal year ended March 31, 1995 and by Faulk & Winkler LLC, independent certified public accountants for all prior periods presented. The consolidated financial statements from which the selected consolidated financial data is derived is qualified by reference to, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes thereto included elsewhere in this document.

Statement of Operations Data:

	Fiscal Years Ended March 31,				
	1995	1994	1993	1992	1991
Operating Results:					
Revenues	$24,216,948	$10,621,705	$4,509,520	$4,263,284	$3,235,288
Operating Income	461,290	404,361	326,208	145,728	51,386
Income before extraordinary item and cumulative effect of a change in accounting principle	490,449	206,365	119,113	97,077	40,855
Income before cumulative effect of a change in accounting principle	490,449	206,365	119,113	145,728	51,386
Net Income	490,449	206,365	278,506	145,728	51,386
Preferred dividend requirement	-	31,984	-	-	-
Earnings per common share:					
Income before extraordinary item and cumulative effect of a change in accounting principle	$0.21	$0.11	$0.08	$0.07	$0.02
Income before cumulative effect of a change in accounting principle	0.21	0.11	0.08	0.10	0.03
Net Income	0.21	0.11	0.19	0.10	0.03
Weighted average shares	2,370,999	1,595,840	1,473,908	1,474,566	1,474,566
Financial position:					
Total assets	$10,156,807	7,608,164	1,811,959	1,545,253	1,350,742
Long-term debt (excluding current maturities)	-	43,323	427,483	730,953	517,392
Stockholders' investment (deficit)	7,103,416	6,243,916	369,898	91,393	(54,335)

Item 7. **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Results of Operations For Fiscal Years 1995, 1994, and 1993.

General

Over the last three years, the Company's total revenues have grown substantially. Total revenues have increased to $24,216,948 in 1995, as compared to $10,621,705 in 1994, and $4,509,520 in 1993. Operating income has increased to $461,290 in 1995, as compared to $404,361 in 1994, and $326,208 in 1993. The Company has financed this growth primarily through cash flow from operations, equity financing, and bank borrowings.

Results of Operations

Total revenues, including excise taxes and fees, increased to $24,216,948 in 1995, from $10,621,705 in 1994, representing a 128% increase. Tota revenues in 1994 increased by 135.5% from $4,509,520 in 1993.

Billable minutes were approximately 152.2 million in 1995, an increase from approximately 60.6 million minutes in 1994, and approximately 25.1 million minutes in 1993. Rate per minute, representing the ratio of total revenue to total minutes, was approximately $.159, $.175 and $.180 in fiscal 1995, 1994, and 1993, respectively. The decrease in revenue per minute reflects the rate reductions made to remain competitive in the market and wholesale rates provided to switchless resellers. In response to periodic rate reductions by AT&T and other carriers in prior years, the Company has reduced its rates; the Company, however, did not materially adjust its rates in 1995. While these rate reductions have adversely affected the Company revenues on a per minute basis, billable minutes have increased by 151.2% over 1994 billable minutes, while billable minutes from 1994 to 1993, increased approximately 141.5%. Historically, AT&T has reduced its rates when access charges levied by the local telephone companies have been reduced. Competitors of AT&T then lower rates to maintain their market positions.

To maintain and improve the Company's competitive future, it may be necessary to change the Company's rate structure. The Company is unable to predict with accuracy whether or when AT&T or other competitors will implement future rate reductions or the effect of any such rate reductions on the Company's profit margins. In the future, these competitive price reductions are anticipated to level off and prices are expected to stabilize or decline at a slower rate. While minor price reductions are expected in fiscal year 1996, the Company anticipates increased revenues to offset the price reductions by the enhancement of its existing product line to include a nationwide 800 service, competitive international calling, increased use of its travel card service, planned implementation of operator services, and other non-switched nationwide products.

In addition to the switch-based network, the Company operates under negotiated contracts with other carriers to provide a nationwide platform to originate and terminate traffic. The Company has contracted with marketing companies, switchless resellers and agents throughout the United States and provides transport, billing, customer service, and other support services. Marketing to these types of organizations will continue in the upcoming fiscal year. Gross margin percentage, defined as the ratio of the excess of revenues over telecommunication costs, is expected to decrease while billable minutes are expected to rapidly increase. As of June, 1995, the Company is certified and tariffed to provide service subject to jurisdictions as required in 40 states and the District of Columbia, with 1 additional states pending, and 7 jurisdictions not requiring certification. The Company intends to become certified and tariffed throughout the 48 United States.

The Company and other long distance telecommunications companies are affected by the FCC's direct regulation of the rates and operations of AT&T and certain other interexchange carriers with which the Company competes and from which the Company leases or may lease transmission facilities or may have underlying contracts in place. Consequently, reductions in the Company's rate structure, as well as the regulatory matters affecting the telecommunications industry as a whole, may impact the Company's future revenues and expenses.

The Company's gross margin percentage in 1995 decreased over the prior year with the cost of telecommunications services as a percent of revenues increasing to 80.4% in 1995, resulting in a gross margin percentage of 19.6%. In 1994, telecommunications costs were 76.0% of revenues, resulting in a gross margin percentage of 24.0%. The Company's costs for telecommunications services as a percent of revenue in 1993 were 58.8%, which resulted in a gross margin percentage of 41.2%. The rapid growth in sales of the Company's wholesale product to switchless resellers decreases the gross margin because the gross margin from sales to switchless resellers is less than that realized by the Company's retail sales.

General and administrative and selling expenses were $3,979,257 representing 16.4% of revenues, $1,951,992 representing 18.4% of revenues, and $1,369,658 representing 30.4% of revenues for the years ended March 31, 1995, 1994, and 1993, respectively. Depreciation and amortization expense was $298,700 representing 1.2% of revenues, $189,923 representing 1.8% of revenues, and $160,810 representing 3.6% of revenues for the years ended March 31, 1995, 1994, and 1993, respectively.

Other Income

Operating income was $461,290 representing 1.9% of revenue for the year ended 1995. Operating income was $321,320 representing 3.0% of revenues for the year ended 1994. For the year ended March 31, 1994, a preferred dividend requirement of $31,984 resulted in net income of $206,365. Operating income was $326,208 representing 7.2% of revenue for the fiscal year ended 1993.

Interest income in 1995 was $147,902, primarily from investing the proceeds of the Company's secondary public offering in short term agreements to resell. Interest expense in prior years, $83,041 in 1994 and $140,924 in 1993, was recognized mainly from the financing of the Company's switching equipment.

Income Taxes

A charge of $118,743 was attributed to income taxes for 1995 resulting in net income of $490,449. As of March 31, 1995, the Company has fully used a federal income tax net operating loss carryforward realized in prior tax years. For the year ended March 31, 1994, $114,955 was attributed to income tax resulting in net income of $206,365.

In 1993, the Company implemented Financial Accounting Standard 109, "Accounting for Income Taxes", resulting in a cumulative effect of change in accounting principle for income taxes of $159,393. Therefore, a net income result for the period ended 1993, was $278,506.

Liquidity and Capital Resources

Net cash provided by operations for 1995, was $670,124, an increase from net cash used by operations of $352,871 in 1994, and net cash provided by operations of $353,170 in 1993.

In March 1994, the Company completed a public offering of 1,380,000 shares of common stock at $5.00 per share. The common stock is traded on the NASDAQ Small Cap Market System under the symbol "NTWK". The net proceeds of the offering, after deducting applicable issuance costs and expenses were approximately $5,700,000. The proceeds were used to reduce short-term and long-term indebtedness and for general corporate purposes, including the financing of working capital needs, capital expenditures, redemption of Series B Convertible Preferred Stock, and, redemption of Series A Convertible Preferred Stock, acquisitions, network upgrades, and the expansion or improvement of office facilities.

Cash flows used in operations resulted in a negative impact on cash, with net income of $206,365 in 1994 due primarily to the impact of growth in accounts receivable that were not offset by increases in accounts payable and customer deposits.

The Company's accounts receivable are anticipated to continue to grow due to higher sales volume. Growth will require cash disbursements for installation costs on lines and equipment to expand networking capability. In addition, the growth will require cash payments to vendors prior to receipt of payments by its customers.

The Company's growth will also require continued expansion of the telecommunications equipment and related capital items. The Company used net cash of $485,237, $4,661,221 and $104,998 for investing activities for the years 1995, 1994, and 1993, respectively. The primary use of cash in 1995, was for the acquisition of customer bases resulting in an increase of intangible assets of $110,853 and related acquisition costs of $1,781,055. Another significant use of cash was related to acquisition of telecommunication equipment and related capital items of $1,344,567 in 1995, $207,746 in 1994, and $80,998 in 1993.

Cash used in financing activities was $151,117 in 1995, and cash provided by financing activities was $5,122,904 in 1994, while cash used by financing activities was $155,667 in 1993. In 1995, the Company redeemed all of its outstanding preferred stock for $55,527, made payments against costs of the secondary public offering of $53,585, and reduced debt principal by $42,005. In 1994, the Company made principal payments on long-term borrowings of $544,749 and received cash of $6,900,000 for issuance of common stock, and $300,000 for issuance of redeemable preferred stock. The Company redeemed the preferred stock for $300,000, paid preferred stock dividends of $31,984, and paid costs associated with stock offerings of $1,200,363 in 1994. In 1993, the Company had proceeds of $196,032 from issuance of capital stock, and made payments on long-term borrowings of $351,699.

The Company experienced a net cash increase of $33,770 in 1995, $108,812 in 1994, and $92,505 in 1993. Stockholders' equity was $7,103,415, and $6,243,916 as of March 31, 1995, and 1994, respectively.

In 1995 the Company completed a series of acquisitions of the customer bases and associated accounts receivable for cash, shares of the Company's common stock or a combination, thereof. The greater Las Vegas customer base and related accounts receivable of Colorado River Communications was purchased in November, 1994, for $1,741,977 in cash and 29,038 shares of common stock, which had a value on the issue date of $232,129. In December, 1994, the Company acquired Westover Communications Corporation's customer base and related accounts receivable for a purchase price of $63,090.

The Company maintains a revolving bank line of credit of $3,000,000. In May, 1995, $900,000 was drawn from this line to finance operations.

Item 8. Financial Statements and Supplementary Data.

Please see pages F-1 through F-16.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Arthur Andersen LLP was selected in March 1995, to replace Faulk & Winkler LLC as the Company's principal independent public accountants and performed the Company's audit for the year ended March 31, 1995. The decision to dismiss Faulk & Winkler LLC was recommended by the Audit Committee of the Board of Directors and was approved by the Board of Directors. This decision was not based on any disagreement with Faulk & Winkler LLC on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Faulk & Winkler LLC, would have caused it to make reference to the subject matter of the disagreement in connection with its report. Faulk & Winkler LLC's report did not contain an adverse or a disclaimer of opinion for neither the Company's fiscal year ended March 31, 1994, nor March 31, 1993.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The Directors and Officers of the Company as of March 31, 1995, were as follows:

Name	Age	Position	Tenure as Officer or Director
Michael M. Ross	37	President, Chief Executive Officer, and a Director	From December 19, 1990 to date
Marc I. Becke·	37	Executive Vice President, Chief Operating Officer, and a Director	From December 19, 1990 to date
Joseph M. Edelman	74	Vice President and a Director	From December 19, 1990 to date
Mark V. Weisse	44	Vice President and Chief Financial Officer	From July 6, 1994 to date
S. David Rosenfeld	35	Vice President and Director of Sales	From July 6, 1994 to date

Michael M. Ross. Mr. Ross has been a Director and President of M.M. Rcss, Inc., since 1979, and a Director and Officer of the Company since December 19, 1990. Mr. Ross is a former Director of Telecom Management, Inc. (January, 1984 to August, 1986) and Direct Communications, Inc. (October, 1985 until it was merged with Network in 1990). Mr. Ross is responsible for the day-to-day management of all marketing and executive activities for the Company, and serves as the Company's President and Chief Executive Officer.

Marc I. Becker. Mr. Becker has been a Director and Secretary-Treasurer of M.M. Ross, Inc. since its formation in 1979, and a Director, Treasurer and Secretary of the Company since December 19, 1990. Part of that time, he was a Director of Telecom Management, Inc. and a past Director of Direct Communications, Inc. (October, 1985 until it was merged with Network in 1990). Mr. Becker is responsible for the day-to-day operational functions, and serves as the Company's Executive Vice President and Chief Operating Officer.

Joseph M. Edelman, M.D. Dr. Edelman has been a Director and Vice President of M.M. Ross, Inc. since 1981, and a Director and Officer of the Company since December 19, 1990. Dr. Edelman is responsible for the computer hardware and networking technologies for the Company. Dr. Edelman serves as the Company's Treasurer.

Mark V. Weisse. Dr. Weisse serves as Vice President and Chief Financial Officer. He is currently responsible for the Personnel, Accounting, and Finance departments, including regulatory compliance functions. Dr. Weisse joined the company in January, 1994. He began his career in telecommunications in 1970 with New England Telephone Company where he performed the divestiture analyses and accounting for New England Telephone's AT&T capital assets until 1983. In 1984, Dr. Weisse was promoted to the finance organization in Bell Communications Research, Inc. (Bellcore). He also served as Vice President of Finance for the Furst Group, Inc., a long distance telecommunications company.

S. David Rosenfeld. Mr. Rosenfeld has been involved with Network Long Distance since 1981. He previously served as Operations Manager overseeing all administrative, sales, technical and customer service functions of the Company. He currently serves as Director of Sales, responsible for all sales activities, includi g day-to-day sales and sales functions, service plan design, market development, association and independent agent programs and training.

The Officers of the Company are elected by the Board of Directors at the first meeting after each annual meeting of the Company's shareholders, and hold office until their death, or until they shall resign or have been removed from office. The date of the next annual meeting of the Company will be determined by the Company's Board of Directors in accordance with Delaware law. Such meeting is expected to be held in January, 1996.

The Company anticipates appointing two additional directors during the upcoming fiscal year.

Item 11. Executive Compensation.

The following table sets forth all compensation paid or accrued by the Company for services of Michael M. Ross and S. David Rosenfeld during the fiscal year ended March 31, 1995 and the two prior fiscal years. No other officer has received cash payments in excess of $10),000.

SUMMARY COMPENSATION TABLE

	Annual Compensation				Long Term Compensation			
					Awards		Pay-outs	
(a) Name and Principal Position	(b) Year(1)	(c) Salary ($)	(d) Bonus ($)	(e) Other Annual Compen-sation ($)(2)	(f) Restricted Stock Award(s) ($)	(g) Options/ SARs (#)	(h) LTIP Pay-outs ($)	(i) All Other Compen-sation ($)(3)
S. David Rosenfeld, Vice President and Director of Sales	1995	$45,061	$ 0	$75,907	$2,800	-0-	N/A	$3,383
	1994	$44,500	$ 0	$34,081	-			$3,192
	1993	$43,200	$ 0	$ 9,453	-			$1,914
Michael M. Ross, President and Chief Executive Officer	1995	$94,846	$ 0	$2,316	N/A	-0-	N/A	$8,822
	1994	$81,213	$ 0	$2,422	-			$7,685
	1993	$68,313	$ 0	$3,226	-			$6,879

(1) Periods presented are for the years ended March 31.

(2) Includes a $500 monthly credit less insurance ana sales commissions.

(3) Represents employer contributions for insurance, disability and a car allowance.

(4) The following officers' compensation are anticipated in excess of $100,000 for the fiscal year 1996:

Michael M. Ross, President and Chief Executive Officer
Marc I. Becker, Executive Vice President and Chief Operating Officer
S. David Rosenfeld, Vice President and Director of Sales

Compensation of Directors

The non-employee directors of the Company will receive $100 for each meeting they attend plus expenses.

Options and Warrants

The Company issued to its principal underwriting firm, Barron Chase Securities, Inc. on February 24, 1994, warrants to purchase 120,000 shares of the Company's Common Stock for a five (5) year period for $7.50 per share.

Employment Agreements

On January 1, 1994 the Company entered into employment agreements with Michael M. Ross and Marc I. Becker, Officers and Directors of the Company. The employment agreements extend to December 31, 1997 and provide for a minimum annual salary of $96,000 to each individual. A discretionary bonus may be paid to either individual based on factors deemed relevant by the Board of Directors, such as the Company's performance and/or other objective criteria.

Option Grants in 1995

The following table sets forth certain information regarding options to purchase shares of Common Stock granted to the Executive Officers of the Company listed in the Executive Compensation Table during the Company's 1995 fiscal year:

Option Grants in 1995

(a)	(b)	(c)	(d)	(e)
Name	Options Granted	% of Total Options Granted to Employees in 1995	Exercise Price	Expiration Date
Michael M. Ross	None	N/A	N/A	N/A

Aggregate Options Exercised in 1995 and Option Values at March 31, 1995

The following table sets forth certain information regarding options to purchase shares of Common Stock exercised during the Company's 1995 fiscal year and the number and value of exercisable and unexercisable options to purchase shares of Common Stock held as of the end of the Company's 1995 fiscal year by the Executive Officers of the Company named in the Summary Compensation Table:

Aggregated Options Exercised in 1995 and Option Values at March 31, 1995

(a)	(b)	(c)	(d)	(e)
cised Name	Shares Acquired on Exercise	Exercisable/ Value Realized[1]	Number of Unexercised Options at 03/31/95 Exercisable/ Unexercisable	Value of Unexer- In-the-Money Options at 03/31/95 Exercisable Unexercisable[2]
Michael M. Ross	0	0	0/0	$0/$0

(1) Value realized is equal to the difference between the fair market value per share of Common Stock on the date of exercise and the option exercise price per share multiplied by the number of shares acquired upon exercise of an option.

(2) Value of exercisable/unexercisable in-the-money options is equal to the difference between the fair market value per share of Common Stock at March 31, 1995 and the option exercise price per share multiplied by the number of shares subject to options.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The following table sets forth, as of March 31, 1995, the stock ownership of each person known by the Company to be the beneficial owner of five percent or more of the Company's Common Stock, each Officer and Director individually and all Directors and Officers of the Company as a group:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Michael M. Ross 525 Florida Street Baton Rouge, LA 70801	600,691(1)	20.64%
Marc I. Becker 525 Florida Street Baton Rouge, LA 70801	610,691(2)	20.98%
Joseph M. Edelman, M.D. 525 Florida Street Baton Rouge, LA 70801	10,000	*
S. David Rosenfeld 525 Florida Street Baton Rouge, LA 70801	9,133	*
Mark V. Weisse 525 Florida Street Baton Rouge, LA 70801	0	*
All Directors and Officers as a Group (4 Persons)	1,230,515(3)	42.27%

*Less than 1%

(1) Includes 600,691 shares held directly and beneficially.

(2) Includes 610,691 shares held directly and beneficially. Also includes his wife's ownership of 10,000 shares of the company's Common Stock.

(3) Includes 1,230,515 shares held directly and beneficially by Messrs. Ross and Becker and 10,000 shares of Common Stock owned by Mr. Becker's wife, 10,000 shares of common stock owned directly and beneficially by Dr. Edelman, and 9,133 shares of common stock owned directly and beneficially by Mr. Rosenfeld.

Item 13. Certain Relationships and Related Transactions.

Messrs. Ross and Becker, Officers and Directors of the Company, owe to the Company in the amount of $146,500, $146,500 and $134,500, as principal, as of March 31, 1995, 1994 and 1993 respectively. The amounts represent advances to these individuals from the Company, which are unsecured, and bear interest at 8% Interest income with respect to these notes for 1995, 1994, and 1993 was $11,720, $11,240, and $9,800, respectively.

The amount of $125,000 in long-term debt was owed to Becker Edelman Investment Partnership whose owners are Marc Becker and Joseph Edelman, both Officers and Directors of the Company, as of March 31, 1993. The note was renewed on April 30, 1993 and was paid in full in March 1994.

Michael Ross and Marc Becker have entered into an agreement with the Company and its escrow agent whereby approximately 50% of their shares are to be released over a period of time based upon certain objective performance levels. In order for the shares to be released, the Company's net income per share on a fully diluted basis, as defined in the agreement, must be as follows:

Fiscal Year-End	Net Income Per Share (Fully-Diluted)	Amount of Shares to be Released
March 31, 1995	$.375 per share	208,897 shares
March 31, 1996	$0.60 per share	208,897 shares
March 31, 1997	$1.00 per share	208,897 shares

If in any of those years the Company achieves the following years' earnings levels, all prior years shares and the additional shares for such earnings level will be released. The escrow agreement terminates on January 27, 2000.

In the event the Company is acquired or merged into another entity prior to March 31, 1997, at a price equivalent to at least $10 per share, all of the escrowed shares shall be released from escrow. Alternatively, in the event the Company is acquired or merged into another entity prior to March 31, 1997, at a price equivalent of less than $10 per share, all of the escrowed shares still remaining in the escrow account at the time of any such acquisition or merger shall be forfeited and all such shares shall be placed in the Company's treasury for cancellation thereof as a contribution to capital.

The staff of the Securities Exchange Commission may view the placement of shares in escrow similar to a recapitalization by management. The agreement to release shares upon the achievement of certain objective criteria is presumed to be a separate compensatory arrangement between the Company and management. The

(a) 3. Exhibits: None.

(b) Current report on Form 8-K, dated March 15,1995, reporting under item 4, a change in independent public accountants from Faulk & Winkler LLC to Arthur Andersen LLP.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of
Network Long Distance, Inc.:

We have audited the accompanying consolidated balance sheet of Network Long Distance, Inc., (a Delaware corporation) and subsidiaries as of March 31, 1995, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Network Long Distance, Inc., as of March 31, 1994 and for the years ended March 31, 1994 and 1993, were audited by other auditors whose report dated June 3, 1994, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Network Long Distance, Inc., and subsidiaries as of March 31, 1995, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

Arthur Andersen LLP
ARTHUR ANDERSEN LLP

Jackson, Mississippi,
June 2, 1995.

NETWORK LONG DISTANCE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	March 31, 1995	March 31, 1994
ASSETS		
Current Assets		
Cash and cash equivalents	$ 348,753	$ 314,983
Securities purchased under agreement to resell	1,558,562	4,309,800
Accounts receivable, net of allowance for doubtful accounts of $499,546 and $284,724 at March 31, 1995 and 1994, respectively	4,123,954	1,787,870
Deferred income tax asset	42,231	21,590
Other current assets	37,801	23,221
Total current assets	6,111,301	6,457,464
Property and Equipment		
Land	75,000	75,000
Building and improvements	382,315	291,835
Telecommunications equipment	1,640,315	903,889
Furniture and fixtures	671,640	154,028
	2,769,270	1,424,752
Less accumulated depreciation	968,766	750,386
	1,800,504	674,366
Intangibles, net	1,883,997	82,231
Other Assets	361,005	394,103
Total assets	$ 10,156,807	$ 7,608,164
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 871,893	$ 62,281
Accrued telecommunications cost	1,481,409	642,209
Other accrued liabilities	500,428	234,217
Customer deposits	183,185	136,185
Total current liabilities	3,036,915	1,074,892
Deferred income tax liability	16,476	43,323
Commitments		
Series A convertible preferred stock - $.01 par value; 25,000,000 shares authorized; no shares issued and outstanding at March 31, 1995 and 82,011 shares issued and outstanding at March 31, 1994 (redemption value $3 per share)	-	246,033
Stockholders' Equity		
Common stock - $.0001 par value; 10,000,000 shares authorized; 2,992,106 and 2,899,566 shares issued and outstanding at March 31, 1995 and 1994, respectively	299	290
Additional paid-in capital	6,483,025	6,113,983
Retained earnings	620,092	129,643
Total stockholders' equity	7,103,416	6,243,916
Total liabilities and stockholders' equity	$ 10,156,807	$ 7,608,164

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

NETWORK LONG DISTANCE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	For the year ended March 31,		
	1995	1994	1993
Revenues (including excise taxes of $218,833, $148,112, and $120,810 in 1995, 1994, and 1993, respectively)	$ 24,216,948	$ 10,621,705	$ 4,509,520
Operating expenses:			
Telecommunications costs	19,477,701	8,075,429	2,652,844
Selling, general and administrative	3,979,257	1,951,992	1,369,658
Depreciation and amortization	298,700	189,923	160,810
Total	23,755,658	10,217,344	4,183,312
Operating income	461,290	404,361	326,208
Interest (income) expense, net	(147,902)	83,041	140,924
Income before income taxes	609,192	321,320	185,284
Provision for income taxes	118,743	114,955	66,171
Income before cumulative effect of a change in accounting principle	490,449	206,365	119,113
Cumulative effect of a change in accounting for income taxes	-	-	159,393
Net Income	490,449	206,365	278,506
Preferred dividend requirement	-	31,984	-
Net income applicable to common stockholders	$ 490,449	$ 174,381	$ 278,506
Earnings per common share:			
Income before change in accounting principle	$ 0.21	$ 0.11	$ 0.08
Change in accounting principle	-	-	0.11
Net income	$ 0.21	$ 0.11	$ 0.19

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended March 31, 1995	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 490,449	$ 206,365	$ 278,506
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	218,430	155,139	150,810
Amortization	80,270	34,784	10,000
Provision for losses on accounts receivable	386,214	236,000	108,362
Provision (benefit) for deferred income taxes	(47,487)	114,955	(93,222)
Provision for employee stock incentive plan	42,350	-	-
Changes in assets and liabilities, net of effect of business combinations:			
Accounts receivable	(2,357,721)	(1,570,924)	(149,493)
Other current assets	(14,580)	47,197	(95,660)
Account payable and other current liabilities	1,914,678	332,338	112,167
Other	(42,479)	91,275	31,700
Net cash provided by (used in) operating activities	670,124	(352,871)	353,170
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,344,567)	(207,746)	(80,998)
Sale (purchase) of short-term investments, net	2,751,238	(4,309,800)	-
Acquisitions and related costs	(1,781,055)	-	-
Increase in intangible assets	(110,853)	-	-
Other	-	(143,675)	(24,000)
Net cash used in investing activities	(485,237)	(4,661,221)	(104,998)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments on debt	(42,005)	(544,749)	(351,699)
Proceeds from issuance of common stock	-	6,900,000	196,032
Proceeds from sale of redeemable preferred stock	-	300,000	-
Redemption of preferred stock	(55,527)	(300,000)	-
Dividends on preferred stock	-	(31,984)	-
Offering costs	(53,585)	(1,200,363)	-
Net cash provided by (used in) financing activities	(151,117)	5,122,904	(155,667)
Net increase in cash and cash equivalents	33,770	108,812	92,505
Cash and cash equivalents at beginning of period	314,983	206,171	113,666
Cash and cash equivalents at end of period	$ 348,753	$ 314,983	$ 206,171

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

NETWORK LONG DISTANCE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1995

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Description of business

Network Long Distance, Inc. (a Delaware corporation), through its wholly-owned subsidiaries, M.M. Ross, Inc., and Network Advanced Services, Inc., provides long distance and other telecommunications services for wholesale and retail customers. Hereafter, Network Long Distance, Inc. and subsidiaries are referred to as the Company.

In March 1994, the Company issued via a public offering, 1,380,000 shares of common stock at $5.00 per share. The net proceeds of the offering, after deducting applicable issuance costs and expenses, were approximately $5,700,000. The proceeds were used to reduce short-term and long-term indebtedness and for general corporate purposes, including the financing of working capital needs, capital expenditures, redemption of Series B Convertible Preferred Stock, and acquisitions.

Principles of consolidation

All significant intercompany balances and transactions have been eliminated in consolidation.

Securities purchased under agreement to resell

The Company invests excess funds in short-term, interest-bearing obligations. Due to the short-term nature of these investments, the Company does not take possession of the securities which are held in safekeeping.

The Company does not enter into hedge and/or other transactions to limit the risk of loss that may result from a decline in market value of the underlying assets in the event of default by the counterparty. However, the counterparty sells the Company securities with a market value in excess of the funds invested.

Accounts receivable

Accounts receivable represent amounts due on monthly billings for long distance and other telecommunications costs incurred by customers.

A provision for doubtful accounts is made tq maintain an adequate allowance to cover anticipated losses based upon management's evaluation of the collectibility of accounts receivable. Charge-offs during the fiscal years 1995, 1994, and 1993 were $171,392, $31,276, and $91,219, respectively.

Property and equipment

Property and equipment are recorded at cost. Depreciation is provided for financial reporting purposes using the straight-line method over the following estimated useful lives:

Building	30 years
Building improvements	7-10 years
Telecommunications equipment	5-7 years
Office equipment	5-7 years

Maintenance and repairs are expensed as incurred. Replacements and betterments are capitalized. The cost and related reserves of assets sold or retired are removed from the property accounts, and any resulting gain or loss is reflected in results of operations.

Intangible assets

The major classes of intangible assets are summarized below:

	Amortization Period	March 31, 1995	1994
Customer acquisition cost	10	$1,649,377	$ —
Other intangibles	1-40	337,674	105,015
		1,987,051	105,015
Less accumulated amortization		(103,054)	(22,784)
		$1,883,997	$ 82,231

Intangible assets are amortized using the straight-line method for the periods noted above.

Customer acquisition costs represent costs incurred as a result of purchased customer bases and are recorded based upon the estimated value of the customer bases acquired. (See Note 2)

Other intangibles consist primarily of software development costs attributable to telecommunications service activities and intangibles attributable to immaterial acquisitions.

Realization of acquisition-related intangibles is periodically assessed by management of the Company based on current and expected future profitability and the cash flows attributable to the acquired customer bases and their contribution to the overall operations of the Company.

Income taxes

In 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Recognition of Revenue

Customer long distance calls are routed through switching centers owned by the Company or others over long distance telephone lines provided by others. The Company records revenues at the time of customer usage primarily on a measured time basis.

Telecommunications expense

Telecommunications expense includes all payments to local exchange carriers and interexchange carriers primarily for access and transport charges. The Company mainly utilizes long-term fixed cost contracts with other carriers in order to carry customer calls.

Earnings per share

For the years ended March 31, 1995, 1994 and 1993, earnings per share are calculated based on the weighted average number of shares outstanding during the period plus the dilutive effect of stock options and warrants determined using the treasury method. Average common shares and common equivalent shares utilized were 2,370,999; 1,595,840; and 1,473,908, respectively for primary and fully diluted earnings per share for the years ended March 31, 1995, 1994 and 1993.

Dividends of $31,984 for the year ended March 31, 1994 on convertible preferred stock were deducted from net income to determine net income available to common stockholders for earnings per share computations.

Stock Warrants

The Company issued stock warrants to its underwriters in connection with its March 1994 public stock offering which allows the purchase of 120,000 shares of common stock at $7.50 per share. The warrants expire in March 1999.

Common Stock Escrow Agreement

As part of its public offering of common stock in March 1994 (See Note 1), the Company transferred 626,691 shares of common stock, owned by officers, into an escrow account. The common stock will be released from escrow in three annual increments of 208,897 shares if the Company meets earnings per share requirements, on a fully diluted basis as defined in the agreement. The stipulated earnings per share (EPS) amounts are as follows:

March 31	EPS
1995	$ .375
1996	.60
1997	1.00

If the Company fails to meet EPS requirements of the escrow agreement, the common stock held in escrow will be forfeited and canceled to the Company's treasury. However, if the Company meets the EPS requirement in the second or third fiscal year, any shares forfeited in a prior year(s) will be considered earned and released to the officers in the subsequent year. If the EPS requirements are attained, the appropriate compensation expense will be recorded by the Company The escrow agreement terminates on January 27, 2000. These shares have been excluded from the weighted average number of shares outstanding for the year ended March 31, 1995.

Statement of Cash Flows

For purposes of the statement of cash flows, cash on hand and on deposit are considered to be cash and cash equivalents.

Reclassifications

Certain items for 1994 and 1993 have been reclassified to conform with the 1995 presentation.

Recently Adopted Accounting Pronouncements

In 1992, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 112 "Employers' Accounting for Postemployment Benefits." This statement was adopted in the year ended March 31, 1995. Adoption of this statement does not have a material effect on the financial position or results of operations of the Company.

In 1994, FASB issued SFAS No. 119 "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments." The Company does not hold or issue any derivative financial instruments.

Recently Issued Accounting Pronouncements

In 1991, the FASB issued SFAS No. 107 "Disclosures about Fair Value of Financial Instruments." This statement is effective for fiscal years ending after December 15, 1995. In 1993, the FASB issued SFAS No. 114 "Accounting by Creditors for Impairment of a Loan" and SFAS No. 116 "Accounting for Contributions Received and Contributions Made." In 1994, the FASB issued SFAS No. 118 "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures." These statements are effective for fiscal years beginning after December 15, 1994. In 1995, the FASB issued SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." This statement is effective for years beginning after December 15, 1995. Management believes that adoption of these standards will not have a material effect on the company's consolidated results of operations or financial position.

NOTE 2 - CUSTOMER BASE ACQUISITIONS

The Company has completed a series of acquisitions of segments of other long distance providers' customer bases. Such acquisitions have been accomplished through the purchase of the customer base and related accounts receivable for cash, shares of the Company's common stock or a combination thereof. All acquisitions have been accounted for as purchases and resulted in an excess of the purchase price over the net tangible assets acquired.

The table below sets forth information concerning the customer base acquisitions by the Company:

		Purchase Price			Allocation of Intangibles Acquired	
			Shares Issued			
Acquired Entity	Acquisition Date	Cash	Number	Value	Customer Base	Other intangibles
First Choice Network (FCN)	Mar 1994	$ 131,675	--	$ --	$ 76,289	$ --
Colorado River Comm. (CRC)	Nov 1994	1,741,977	29,038	232,129	1,561,968	122,481
Westover Comm. Corp. (WCC)	Dec 1994	63,090	--	--	11,120	--

The initial purchase price allocations for the fiscal year 1995 acquisitions were based on estimates as the Company is waiting for more detailed information concerning the current values of certain assets and liabilities. As a result, the final purchase price allocations may differ from the presented estimates.

To identify the intangibles acquired in these purchases, the Company employs a series of projections of the acquired customer bases. These projections utilize cash flow models and historic and projected attrition rates to quantify the values allocated to the various acquired intangibles and the related useful lives. Management believes such projections are achievable based on the current results of the Company's operations.

NOTE 3 - INCOME TAXES

Effective April 1, 1992, the Company adopted SFAS No. 109 "Accountin Income Taxes." The cumulative effect of this change in accounting princip an increase in net income of $159,393.

The provision for income taxes is composed of the following:

	1995	1994	1993
Current	$ 166,230	$ --	$159,393
Deferred	(47,487)	114,955	(93,222)
Total provision for income taxes	$ 118,743	$ 114,955	$ 66,171

The following is a reconciliation of the actual provisions for income taxes expected amounts which are derived by applying the statutory rate to re pretax income.

	1995	1994	1993
Expected statutory amount	$207,125	$112,462	$ 59,898
Usage of net operating loss carryforwards	(75,409)	--	--
Effect of officer's life insurance	(9,652)	1,632	832
Other	(3,321)	861	5,441
Actual tax provision	$118,743	$114,955	$ 66,171

Deferred income taxes reflect the net tax effects of temporary differences bet the carrying amounts of assets and liabilities for financial reporting purpose amounts used for income tax purposes.

The following is a summary of the significant components of the Comp deferred tax assets and liabilities as of March 31, 1995 and 1994.

	March 31,			
	1995		1994	
	Assets	Liabilities	Assets	Liabilitie
Allowance for bad debts	$ 96,806	$ --	$ --	$ --
Depreciation	--	52,680	--	43,32
Effect of conversion to cash basis for income tax purposes	--	118,986	--	244,85
NOL carryforwards	--	--	266,273	--

Accrued liabilities	100,850	--	--	--
Other	900	1,135	173	--
Total	$198,556	$172,801	$266,446	$288,179

NOTE 4 - NOTES PAYABLE

At March 31, 1995, the Company had a $3,000,000 line-of-credit with a bank, none of which was outstanding at year-end. Borrowings under the line-of-credit mature on July 31, 1995, and bear interest at 1.25% above the prime rate (10.25% at March 31, 1995). The line-of-credit is secured by certain accounts receivable of the Company and requires compliance with certain financial and operating covenants. At March 31, 1995, the Company was in compliance with those covenants.

At March 31, 1994, the Company had a note payable of $42,005 secured by equipment and the personal guarantee of a major stockholder. The note payable, which bore interest at 16%, matured and was repaid in January 1995.

NOTE 5 - REDEEMABLE PREFERRED STOCK

Series A Convertible Preferred Stock

At March 31, 1994, the Company had 82,011 shares outstanding of Series A Convertible Preferred Stock with a value of $246,033. The preferred stock paid cumulative dividends at an annual rate of 12% based on a $3 issue price per share.

During fiscal year 1995, the Company redeemed all outstanding Series A Convertible Stock for 63,502 shares of the Company's common stock and cash payments of $55,527.

Series B Convertible Preferred Stock

The Company issued 30,000 shares of Series B Convertible Preferred Stock during 1994 for proceeds of $300,000. The Company utilized $300,000 of the public offering proceeds to redeem the Series B Convertible Preferred Stock. Each purchaser of Series B Convertible Preferred Stock received one share of common stock upon redemption.

NOTE 6 - EMPLOYEE BENEFIT PLAN

In May 1994, the Company adopted a stock incentive plan (the Plan) under which certain employees are eligible to receive 100 shares of the Company's common stock upon completion of their first anniversary of service. All shares issued under the Plan are held by the Company for a period of three years from the issue date, at which time the employee vests if they are still employed with the Company. In the event the Company is sold, all employees vest immediately. At March 31, 1995, approximately 17,600 shares of common stock had been awarded under the Plan. Compensation expense of $42,350 was recognized in 1995 related to the Plan.

NOTE 7 - COMMITMENTS

At March 31, 1995, the Company was committed under noncancellable, noncapitalizable agreements for fixed cost transmission facilities that require minimum payments of approximately $7,220,000 in 1996, $7,500,000 in 1997, $3,450,000 in 1998 and $525,000 in 1999.

The Company leases office facilities and certain equipment under noncancellable operating leases having initial or remaining terms of more than one year. Rent expense related to these leases was approximately $4,400, for the year ended March 31, 1995. Minimum lease payments under these operating leases are $173,507, $212,447, $253,637, $259,951, and $266,941, for the years ended March 31, 1996 through 2000, respectively.

Certain of the Company's facility leases include renewal options and all leases include provisions for rent escalation to reflect increased operating costs and/or require the Company to pay certain maintenance and utility costs.

NOTE 8 - RELATED PARTY TRANSACTIONS

The Company held notes receivable and related accrued interest from various employees of $187,751 and $176,031 as of March 31, 1995 and 1994, respectively. These notes, which are unsecured, bear interest at 8%.

NOTE 9 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest paid by the Company during the years ended March 31, 1995, 1994 and 1993 amounted to $2,648, $105,900, and $188,700, respectively. Income taxes paid during the year ended March 31, 1995 was $25,000 No income taxes were paid or refunds received during the years ended March 31, 1994 and 1993

For the year ended March 31, 1995, noncash transactions included the issuance of common stock in connection with customer base acquisitions and the redemption of preferred stock of $232,129 and $190,506, respectively.

NOTE 10 - CONCENTRATIONS OF CREDIT RISK

Two of the Company's switchless customers accounted for approximately 27% of net sales in 1995 and approximately 28% of gross accounts receivable at March 31, 1995. The Company performs initial and ongoing credit evaluations of its customers and maintains an allowance for doubtful accounts. Customers may be asked to provide personal guarantees and/or security deposits. If the financial condition and operations of these switchless customers deteriorate below critical levels, the Company's operating results could be adversely affected.

NOTE 11 - SUBSEQUENT EVENTS

Subsequent to March 31, 1995, the Company has purchased selected customer bases and related accounts receivable from various switchless resellers. In April 1995, the Company purchased a segment of the customer base and related accounts receivable from Prime Telecom, Inc. for cash of approximately $10,000 and forgiveness of $47,000 owed the Company. The customer base acquired is located primarily in San Antonio, Texas.

In May 1995, the Company purchased a portion of the customer base and related accounts receivable of Network Services, Inc. for cash of approximately $565,000 and common stock of $55,000. The customer base acquired is located in Oklahoma.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

NETWORK LONG DISTANCE, INC.

Dated: June 28, 1995

By ______________________
Michael M. Ross, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Signature	Capacity	Date
Michael M. Ross	President, Chief Executive Officer, and Director	June 28, 1995
Marc I. Becker	Executive Vice President, Secretary, Chief Operating Officer, and Director	June 28, 1995
Joseph M. Edelman	Treasurer, Vice President, and Director	June 28, 1995

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF FLORIDA

APPLICATION FOR AUTHORITY FOR NETWORK LONG DISTANCE, INC. TO ACQUIRE CERTAIN ASSETS OF UNIVERSAL NETWORK SERVICES OF FLORIDA, INC.

CASE NUMBER 960751-TI

APPLICATION

Network Long Distance, Inc. ("Network"), pursuant to the applicable Statutes of Florida and the Commission's Rules and Regulations currently in effect and/or subsequently enacted, hereby requests Commission approval of a transaction whereby Network will acquire certain assets, including customer accounts, of Universal Network Services of Florida, Inc. ("UNS"). Network proposes to acquire these assets and customer accounts and to begin to provide long distance service to the Customers of UNS under the Certificate of Public Convenience and Necessity previously issued to Network.

As will be described in detail below, Network has entered into an agreement to purchase specified assets of UNS, including its customer accounts, pending the required regulatory approvals.[1] Commission approval of the proposed purchase of assets, including customer accounts, will result in cost savings because of discounts on quantity ordering of materials and services and will streamline the level of service for all involved customers. At the same time, approval of the proposed purchase and transfer of customer accounts will not in any way be detrimental to the public interests

1 Both Network and UNS are presently certificated carriers in the State of Florida, actively engaged in the business of selling long distance and other enhanced telecommunications services.

of the State of Florida because the customers of both Network and UNS will continue to receive the same high quality service presently rendered to them and neither party to the transaction between Network and UNS will be given undue advantage over the other party. Additionally, Network will possess a greater customer account base as the result of the proposed purchase of assets, and will thus be a stronger carrier to provide high quality service to all customers presently serviced by both Network and UNS.

In support of this Application, Applicant shows the following:

I. THE PARTIES

1. Network Long Distance, Inc. is a publicly held Delaware corporation whose principle offices are located at 525 Florida Street, Baton Rouge, Louisiana 70801. Network is a non-dominant carrier that resells the domestic and international long distance service purchased from various facilities based carriers pursuant to the FCC's *Competitive Carrier* policies.

2. Network is authorized by the FCC to offer domestic interstate and international services in all fifty (50) states and the District of Columbia as a non-dominant carrier. Network currently originates interstate traffic in forty nine (49) states, and provides intrastate service, pursuant to certification, registration or tariff requirements, or on an unregulated basis, in forty nine (49) states. Network is a certificated carrier in the State of Florida.[2]

3. Universal Network Services of Florida, Inc. is a privately held Nevada corporation whose principle offices are located at Two Corporate Plaza, Suite 200, Newport Beach, California 92660. UNS is a non-dominant carrier that resells domestic and international long distance service

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[2] In Florida, Network provides intrastate telecommunications services pursuant to Certificate of Public Convenience and Necessity Number 3178. See matter entitled "Application Form for Authority to Provide Interexchange Telecommunications Service Within the State of Florida," Docket Number 930249-TI; Order Number PSC-93-0857-FOF-TI, effective date June 30, 1993.

from various facilities based carriers pursuant to the FCC's *Competitive Carrier* policies. UNS is a certificated carrier in the State of Florida.[3]

4. Pursuant to the transaction which is the subject of this Application, Network will acquire, for consideration, certain of the assets of UNS, including the customer accounts of UNS.[4]

5. Pursuant to the transaction which is the subject of this Application, UNS will retain its Certificate of Public Convenience and Necessity issued to it from the State of Florida.

6. As a company providing intrastate telecommunications service directly in forty nine (49) states, with annual operating revenues of approximately thirty two million ($32,000,000) dollars, Network is well-qualified to consummate the transaction which is the subject of this Application. Current financial information for Network is attached hereto as Exhibit "B".[5]

II. DESIGNATED CONTACT

7. The designated contact for questions concerning this Application is:

Leon L. Nowalsky, Esquire
Nowalsky & Bronston
3900 North Causeway Boulevard
Suite 1275
Metairie, Louisiana 70002
(504) 832-1984

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[3] Universal Network Services of Florida, Inc. is a wholly owned subsidiary of Universal Network Services, Inc., also a Nevada corporation. In Florida, UNS provides intrastate telecommunications services pursuant to Certificate of Public Convenience and Necessity Number 3578. See matter entitled "Application Form for Authority to Provide Interexchange Telecommunications Service Within the State of Florida," Docket Number 940559-TI, Order Number PSC-94-1032, effective date September 14, 1994.

[4] See Asset Purchase Agreement, attached as Exhibit "A."

[5] Exhibit "B" is the most recent Form 10-K submitted to the SEC by Network for the fiscal year ending March 31, 1995.

8. Copies of such correspondence should also be sent to:

Mike Ross, President
Network Long Distance, Inc.
525 Florida Street
Baton Rouge, Louisiana 70801
(504) 343-3125

III. REQUEST FOR PERMISSION FOR THE PURCHASE OF ASSETS FROM UNS TO NETWORK

9. In the past several years, Network has acquired the assets of several companies that provide intrastate telecommunication services pursuant to Certificates of Public Convenience and Necessity in various states. Network has attempted to consolidate the customer accounts of these various other companies in order to create a single, larger long distance carrier operating in all fifty (50) states and the District of Columbia. By virtue of these transactions, Network will realize significant economic, marketing and administrative efficiencies.

10. Applicant accordingly proposes a transaction with UNS whereby Network will purchase the following assets of UNS:

(a) All Qualified Customer Accounts (as such term is described in Exhibit "A"), including all customer lists, mailing lists, books, records, files, data, letters of agency and similar items related to the Qualified Customer Accounts;

(b) All accounts receivable associated with and derived from the Qualified Customer Accounts and other mutually agreed to accounts receivable;

(c) All of UNS' rights under any agreements, application forms, term contracts, letters of agency and all other contractual instruments related to the Qualified Customer Accounts, including, but not limited to UNS' right to assert claims and take other rightful action with respect to breaches, defaults and other violations of such Customer Contracts;

(d) All customer and other deposits held or made by UNS related to the Qualified Customer Accounts; and

(e) All T-1's and other equipment, excluding dialers, currently used by or for the customers relative to the Qualified Customer Accounts.

11. Due consideration will be made by Network to UNS in exchange for the purchase of those assets identified above.[6]

12. All assets of UNS not identified in paragraph 11 above will be retained by and remain the property of UNS, including the Certificate of Public Convenience and Necessity issued by the State of Florida.

13. Following consummation of the transaction discussed above, Network will transfer all of the present customer accounts of UNS to Network, and service these customers through and pursuant to the Certificate of Public Convenience and Necessity presently utilized by Network in its service of its existing customers in this state.[7]

14. The technical, managerial and financial personnel of Network will remain the same after the transaction, and will serve both the existing Network customers and the transferred UNS customers with the high level of expertise which now collectively operates this national corporation.

IV. PUBLIC INTEREST CONSIDERATIONS

15. Critical to the proposed transaction and consolidation of customer accounts is the need to ensure the continuation of high quality service to all customers currently served by both Network and UNS. The proposed transaction will serve the public interest for the following reasons:

16. First, it will enable Network to provide a streamlined level of service for all involved customers by creating a single, larger, national operation to provide long distance service to the

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[6] Note that the exact financial figures have been deleted from Exhibit "A". Should this Commission desire to review the financial terms of the proposed transaction, such materials will be provided to this Commission for *in camera* inspection.

[7] Upon consummation of the proposed transaction, Network intends to notify all current end users of UNS of the event and also of any change in rates due to the alignment of two or more different rate products into a single rate product for common services, by either a separate mailing or by a bill insert. To the extent that any present UNS rate products are not included in Network's Tariffs, Network will amend its Tariffs accordingly. As such, the transaction should not cause any inconvenience or confusion to the pre-existing customers of either UNS or Network.

customers in this state as well as other states. The transaction will enhance the operating efficiencies, including market efficiencies, of Network.

17. Second, it will increase the appeal to present and potential customers because of Network's larger size and greater variety of service offerings as well as enhance the ability of Network to appeal to and serve national accounts.

18. Finally, it will result in cost savings because of discounts on quantity ordering of materials and services.

19. Accordingly, the requested transaction and consolidation will serve to create a heightened level of operating efficiency which generally will serve to enhance the overall capacity of Network to compete in the marketplace and to provide telecommunications services for a greater number of Florida customers at competitive rates.

V. CONCLUSION

20. WHEREFORE, for the reasons stated herein, Applicant respectfully requests that the Commission authorize Network and UNS to consummate the agreement described above, and to transfer the customer accounts presently serviced under UNS' Certificate to Network, to be serviced under Network's Certificate.

DATED this 19th day of June, 1996.

Respectfully submitted,

Leon Nowalsky

Leon L. Nowalsky, Esquire
Nowalsky & Bronston
3900 North Causeway Boulevard
Suite 1275
Metairie, Louisiana 70002
(504) 832-1984

EXHIBITS

STATE OF LOUISIANA

PARISH OF EAST BATON ROUGE

VERIFICATION

I, Michael M. Ross, am the President of Network Long Distance, Inc., and am authorized to make this verification on its behalf. The statements made in the foregoing Application are true of my own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters I believe them to be true.

By: Michael M. Ross

Name: Michael M. Ross

Title: President

Sworn to and subscribed before me, Notary Public, in and for the State and Parish named above, this 31 day of May, 1996.

Edward Gothard

Notary Public

My commission is issued for life.