

July 31, 1998

VIA OVERNIGHT DELIVERY

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

Re: Notification of Transaction of Proposed Transfer of Control of Innovative Telecom Corporation to Speer Communications Holdings Limited Partnership

Dear Ms. Bayó:

On behalf of Innovative Telecom Corporation ("Innovative") and Speer Communications Holdings Limited Partnership ("SCH") (collectively "Applicants"), this letter is to request Commission approval of a transaction whereby SCH will acquire control of Innovative. Innovative is a small nondominant telecommunications carrier authorized by the Commission to provide resold intrastate interexchange telecommunications services within the State of Florida. SCH is part of the Speer family of companies ("Speer"), which are ultimately owned and controlled by Roy Speer and successfully engaged in a broad range of businesses, including media and broadcast services, throughout the United States.

As described below, the proposed transfer of control will be accomplished through a transaction whereby Innovative's parent company, Innovative Holding Corporation ("IHC"), will merge with and into Precision Systems, Inc. ("Precision"), a subsidiary of SCH.^{1/} Precision, a Delaware corporation whose shares are publicly traded on the Nasdaq stock exchange, holds no telecommunications licenses from this or any other regulatory commission. As a result of the

^{1/} SCH and certain other Speer affiliate companies have entered into an agreement with Precision whereby SCH will acquire control of Precision. Because Applicants anticipate that, at closing, SCH will have completed its acquisition of Precision, this Notification identifies Precision as the SCH subsidiary that will merge with or become the direct parent of IHC. In the event, however, that SCH and Precision do not consummate Precision's acquisition by Speer, Speer intends to acquire control of Innovative through another Speer subsidiary. In such case or in the event of any other change in the planned corporate structure, Applicants will duly amend this Notification to notify the Commission of the change in the transaction. Applicants emphasize here that, regardless of which Speer subsidiary will be employed to accomplish the acquisition, Speer intends to acquire ultimate ownership and control of Innovative.

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transaction, Innovative will become a direct subsidiary of Precision and an indirect subsidiary of SCH. Following completion of the proposed transaction, Innovative will continue to provide service to its customers in Florida under existing service arrangements and pursuant to its certificate. The proposed transaction, therefore, will be virtually transparent to Innovative's Florida customers.

The Applicants respectfully request expedited treatment of this request in order to permit them to consummate the proposed transaction as soon as possible, but no later than September 30, 1998. An original and twelve (12) copies of this letter are enclosed. Please date-stamp the enclosed extra copy of this filing and return it in the self-addressed, stamped envelope provided.

THE PARTIES

A. Innovative Telecom Corporation ("Innovative")

Innovative is a wholly owned subsidiary of Innovative Holding Corporation ("IHC"), a privately held Delaware holding company headquartered in Nashua, New Hampshire. Innovative is a nondominant carrier that provides resold telecommunications services, including debit card services, in all 50 states by virtue of certification, registration or tariff requirements, or on a deregulated basis.^{2/} Information concerning Innovative's legal, technical, managerial, and financial qualifications to provide telecommunications services was filed with Innovative's application for certification, filed with this Commission in Docket No. 96-0508-TI. That information is, therefore, already a matter of public record at the Commission and Applicants request that it be incorporated by reference herein. Innovative also provides interstate and international telecommunications services as a nondominant common carrier pursuant to authority of the Federal Communications Commission ("FCC").

B. Speer Communications Holdings Limited Partnership ("SCH")

SCH is a Nevada limited partnership headquartered in Nashville, Tennessee. SCH is part of the Speer family of companies well-established in media and broadcast communications. SCH's sister company, Speer Virtual Media Limited Partnership ("Speer Virtual Media"), is authorized to provide interexchange telecommunications services in the State of Florida.^{3/}

^{2/} In Florida, Innovative is authorized to provide interexchange telecommunications services pursuant to certification granted by this Commission in Docket No. 96-05080-TI.

^{3/} Speer Virtual Media is authorized to provide interexchange telecommunications services in Florida pursuant to certification granted by this Commission in Docket No. 97-0698-TI.

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SCH, through its majority ownership of Precision, is financially well-qualified to acquire control of Innovative. Attached hereto as Exhibit A are the pro forma financial statements for Precision, which indicate that, as of March 31, 1998, Precision will have total assets in excess of \$99.7 Million and total liabilities no greater than \$22.2 Million, and total revenues for the year ended December 31, 1997 exceeding \$52.8 Million.^{4'} With its substantial financial resources and by virtue of Speer's extensive experience in media and broadcast communications, SCH is well-qualified to acquire control of Innovative.

THE TRANSACTION

SCH and IHC have determined that they will significantly strengthen the business of Innovative and realize significant economic and marketing efficiencies by establishing Innovative as a subsidiary of SCH.^{5'} Accordingly, SCH and Innovative have executed a memorandum of understanding expressing the parties' agreement to transfer control of Innovative to SCH.

The proposed transaction will result in a change in the corporate parent of Innovative, but will not involve a change in the manner in which Innovative provides service to its Florida customers. Those services currently being provided by Innovative will continue to be offered by that entity pursuant to tariffs on file with this Commission. Innovative, moreover, will continue to be led by a team of well-qualified telecommunications managers comprised, in part, of existing personnel. The transfer of control of Innovative to SCH, therefore, will be virtually transparent to the Florida customers of Innovative in terms of the services that they receive.

^{4'} As explained above, *see* footnote 1, SCH and certain Speer affiliates have entered into an agreement with Precision whereby SCH will acquire control of Precision. Because Applicants anticipate that, at closing, Precision will be the SCH subsidiary that will merge with or become the direct parent of IHC, Applicants enclose the financial statements of Precision. Precision's financial statements are *pro forma* because the Precision acquisition by Speer has not yet been consummated. In the event, however, that SCH and Precision do not consummate that transaction, Speer intends to acquire control of Innovative through another Speer subsidiary. In such case or in the event of any other change in the planned corporate structure, as stated previously, Applicants will duly amend this Notification to notify the Commission of the change in the transaction and submit financial statements for the Speer acquisition entity.

^{5'} The shareholders of IHC recently agreed to place four individuals associated with SCH and the Speer-related companies on the seven-member IHC Board of Directors. The parties do not contemplate that the change in certain Board seats will alter the current management, control, and/or operations of Innovative. Nonetheless, the parties herein seek authority *nunc pro tunc* for the change in IHC Board seats to the extent that the Commission determines that such authority may be required.

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Consummation of the proposed transaction will serve the public interest in promoting competition among providers of interexchange telecommunications services by combining the financial resources and complementary managerial skills and experience of SCH and Innovative in providing telecommunications services to the public. The proposed transaction will therefore ensure the continued provision of high quality and innovative telecommunications services to the existing customers of Innovative and should promote competition in the Florida interchange telecommunications marketplace.

Please do not hesitate to contact us if you have any questions regarding this transaction.

Respectfully submitted,



Catherine Wang
Grace R. Chiu

Counsel for Innovative Telecom Corporation

cc: Tom Williams (FL PSC)
Tim Bass (Innovative)
Roy Speer (SCH)
Rachael E. Schwartz (Baker & McKenzie)

LIST OF EXHIBITS

Financial Statements **A**

Verification

Precision Systems, Inc.
Unaudited Pro Forma Condensed Combined Balance Sheet
(In Thousands)

March 31, 1998
 Pro Forma

Assets	
Cash	\$ 17,430
Accounts receivable	10,545
Supplies & other current assets	2,089
Costs and earnings in excess of billings on uncompleted contracts	4,595
Total current assets	<u>34,659</u>
Property, plant & equipment, net	64,162
Intangible assets	96
Total assets	<u>\$ 99,782</u>
Liabilities:	
Current portion of long term debt	\$ 215
Accounts payable	6,126
Accrued expenses	7,055
Other current liabilities	6,233
Total current liabilities	<u>19,649</u>
Long-term debt, less current portion	247
Total liabilities	<u>22,147</u>
Stockholders equity	
Net assets to be exchanged	54,218
Common stock	1,413
Preferred stock, Series A	-
Preferred stock, Series B	-
Additional paid-in capital	47,588
Accumulated deficit	(23,234)
Treasury stock	(422)
Accumulated preferred stock dividends	-
Foreign currency translation adjustment	432
Unearned compensation	(89)
Total stockholders' equity	<u>79,886</u>
Total liabilities and stockholders' equity	<u>\$ 99,782</u>

Precision Systems, Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations
(In thousands, except share and per share data)

Three Months March 31, 1998

Pro Forma

Revenues	10,560
Cost of sales	6,611
Gross margin	3,949
Selling, general and administration	6,438
Research, engineering and development	1,165
Depreciation and amortization	2,779
Impairment of intangible assets	-
Operating loss	(6,433)
Other income and expense	49
Loss before income taxes	(6,384)
Loss from continuing operations	(6,384)
Loss per common share	(0.05)
Shares used in per share calculation	141,174,660

Precision Systems, Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations
(In thousands, except share and per share data)

Year Ended December 31, 1997

Pro Forma

Revenues	52,864
Cost of sales	22,256
Gross margin	30,608
Selling, general and administration	33,700
Research, engineering and development	6,416
Depreciation and amortization	15,720
Impairment of intangible assets	14,226
Operating loss	(39,514)
Other income and expense	(208)
Loss before income taxes	(39,722)
Loss from continuing operations	(39,722)
Loss per common share	(0.28)
Shares used in per share calculation	141,018,621