TC97-051

DOCKET NO. TC97-051

In the Matter of IN THE MATTER OF THE APPLICATION OF GLD, GROUP LONG DISTANCE, INC. FOR A CERTIFICATE OF AUTHORITY TO PROVIDE TELECOMMUNICATIONS SERVICES IN SOUTH DAKOTA

Public Utilities Commission of the State of South Dakota

DATE		MEMORANDA
5/6	97	Filed and Docketed,
5/8	97	TC Fax Filing,
7/29	97	Order Granting COA,
7/29	97	Docket Closed

0143.6.1

TC97-051

Lance J.M. Steinhart
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6455 East Johns Crossing
Suite 285
Duluth, Georgia 30155

Also Admitted in New York
and Maryland

Telephone: (770) 232-9200
Facsimile: (770) 232-9208

May 5, 1997

VIA FEDERAL EXPRESS

RECEIVED
MAY 06 1997
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Mr. William Bullard
Executive Director
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501-5070
(605) 773-3201

Re: GLD, Group Long Distance, Inc.

Dear Mr. Bullard:

Enclosed please find one original and ten (10) copies of GLD, Group Long Distance, Inc.'s Application for Registration of a Telecommunications Company.

Please note that Exhibit A, the Certificate of Autho ity from the Secretary of State, is not attached. We have applied for the certificate and will forward a copy to the commission upon receipt.

In order to expedite the processing of this application, I would like to suggest that all requests for information by the analyst be made by either telephone or facsimile. I will make every effort to respond on the day of the request.

I have also enclosed a check in the amount of $250.00 payable to the "South Dakota Public Utilities Commission" for the filing fee, and an extra copy of this cover letter to be date stamped and returned to me in the enclosed self-addressed prepaid envelope.

If you have any questions or if I may provide you with any additional information, please do not hesitate to contact me.

Respectfully submitted,

Lance J.M. Steinhart

Attorney for GLD, Group Long Distance, Inc.

Enclosures
cc: Mr. Sam Hitner
LJS/afs

TC97-051

RECEIVED

MAY 06 1997

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

APPLICATION FOR REGISTRATION OF GROUP LONG DISTANCE, INC. FILED WITH THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF GLD, GROUP LONG DISTANCE, INC.	))))	Docket No.__________
FOR AN ORDER authorizing the registration of applicant as a telecommunications company	))))	

APPLICATION

Application is hereby made to the South Dakota Public Utilities Commission for an Order authorizing GLD, Group Long Distance, Inc. ("Applicant") to register as a telecommunications company within the State of South Dakota. The following information is furnished in support thereof:

1. **Name, Address and Telephone Number of Applicant**

GLD, Group Long Distance, Inc.
1451 West Cypress Creek Road, Suite 200
Fort Lauderdale, Florida 33309
(305) 771-9696

All inquiries regarding complaints and regulatory matters should be addressed to:

Lance J.M. Steinhart, Esq.
6455 East Johns Crossing, Suite 285
Duluth, Georgia 30155
(770) 232-9200

2. Registered Agent

The name and address of the Applicant's registered agent are:

Ronald D. Olinger
117 East Capital
Pierre, South Dakota 57501

3. Description of the Applicant

Applicant was incorporated in Florida on April 21, 1996 with perpetual duration. Applicant is a wholly-owned subsidiary of Group Long Distance, Inc., a Florida corporation, the stock of which is traded on the NASDAQ national exchange. Applicant's parent company has been in the telecommunications industry since 1989. Applicant has applied for authority to transact business as a foreign corporation in the State of South Dakota and will file a copy of its Certificate of Authority as Exhibit A upon receipt. A copy of the Applicant's Articles of Incorporation is attached as Exhibit B hereto.

4. Facilities

Applicant does not own or maintain any transmission facilities or switching equipment in the State of South Dakota. The Applicant will provide services through AT&T and/or LDDS Worldcom, its underlying carriers.

0143.6.4

5. Stockholders

The names and addresses of the stockholders of Applicant are as follows:

Name and Address	Shares Owned	Percentage of all Shares Issued and Outstanding and Voting Control
Group Long Distance, Inc. 1451 West Cypress Creek Road Suite 200 Fort Lauderdale, Florida 33309	1,000	100%

6. Officers and Directors

The names and addresses of the officers and directors of Applicant are as follows:

Gerald M. Dunne, Jr., President/Director
1451 West Cypress Creek Road
Suite 200
Fort Lauderdale, FL 33309

Peter M. Russo, Treasurer
1451 West Cypress Creek Road
Suite 200
Fort Lauderdale, FL 33309

Sam D. Hitner, Secretary
1451 West Cypress Creek Road
Suite 200
Fort Lauderdale, FL 33309

7. Corporate Ownership

The name and address of any corporation, association or similar organization holding a five percent (5%) or greater ownership in the Applicant is as follows:

Group Long Distance, Inc. 100%

8. Subsidiaries owned or controlled by Applicant

None

9. Description of Services

Applicant is a switchless reseller which intends to offer 1+ direct dialing, 800 toll free, travel card, and prepaid calling card service through the resale of telephone services provided by facilities-based interexchange carriers. As a switchless reseller, Applicant has no points of presence in the State of South Dakota, thus Applicant neither owns, leases, nor operates any switching, transmission, or other physical facilities in the State of South Dakota, and no such facilities will be used by Applicant in providing service in the State of South Dakota. Rather, Applicant will be engaged in reselling services provided by facilities-based carriers within the State of South Dakota. Upon receiving certification, Applicant intends to provide interexchange services throughout the State of South Dakota.

Applicant intends to provide these services to customers on a jurisdictionally interstate basis subject to the FCC's jurisdiction and Applicant and/or its parent company intend to provide these services on jurisdictionally intrastate basis pursuant to certification, registration or tariff requirements, or on an unregulated basis, in all fifty states, subject to the jurisdiction of various public service and utilities commissions. Applicant's parent company is currently authorized to provide service in 46 states.

Applicant intends to provide high quality service, with an industry standard blocking rate less than P.01. Its services will be available on a full-time basis, twenty-four hours a day, seven days a week, to customers within the geographic boundaries of the State of South Dakota.

10. **Financial Qualifications**

Applicant is financially qualified to provide intrastate interexchange telecommunications services within South Dakota. In particular, Applicant has adequate access to the capital necessary to fulfill any obligations it may undertake with respect to the provision of intrastate telecommunications services in the State of South Dakota. See Exhibit C which is attached hereto, Applicant's parent company's Financial Statements for the year ended December 31, 1996.

11. **Tariff**

A copy of Applicant's proposed tariff is attached as Exhibit D hereto.

WHEREFORE, the undersigned Applicant requests that the South Dakota Public Utilities Commission enter an order granting this application.

DATED this 5 day of May, 1997.

GLD, Group Long Distance, Inc.

By: ______________________
Lance J.M. Steinhart

Its Attorney
6455 East Johns Crossing, Suite 285
Duluth, Georgia 30155
(770) 232-9200

0143.6.8

STATE OF FLORIDA

COUNTY OF BROWARD

Gerald M. Dunne, Jr., being first duly sworn, deposes and says that he is the President of GLD, Group Long Distance, Inc., the Applicant in the proceeding entitled above, that he has read the foregoing application and knows the contents thereof; that the same are true of his knowledge, except as to matters which are therein stated on information or belief, and to those matters he believes them to be true.

Gerald M. Dunne, Jr.

Subscribed and sworn to before this 5 day of May, 1997.

Notary Public

My Commission expires: Oct 20, 2000

ANDREA A MOREY
Notary Public
State of Florida
My Comm. Exp: 10/20/00
Comm# CC594385

LIST OF EXHIBITS

A - CERTIFICATE OF AUTHORITY

B - ARTICLES OF INCORPORATION

C - FINANCIAL STATEMENTS

D - PROPOSED TARIFF

EXHIBIT A - CERTIFICATE OF AUTHORITY

EXHIBIT B - ARTICLES OF INCORPORATION

State of Florida

Department of State

I certify the attached is a true and correct copy of the Articles of Incorporation of GLD, GROUP LONG DISTANCE, INC., a Florida corporation, filed on April 22, 1997 effective April 21, 1997, as shown by the records of this office.

The document number of this corporation is P97000036011.

Given under my hand and the Great Seal of the State of Florida, at Tallahassee, the Capital, this the Twenty-second day of April, 1997

Sandra B. Mortham

Sandra B. Mortham
Secretary of State

GREAT SEAL OF THE STATE OF FLORIDA
IN GOD WE TRUST

CR2EO22 (2-95)

EFFECTIVE DATE
4-21-97

ARTICLES OF INCORPORATION

OF

GLD, GROUP LONG DISTANCE, INC.

The undersigned, acting as incorporator of a corporation for profit under the Florida General Corporation Act, adopts the following Articles of Incorporation for such corporation.

ARTICLE I

NAME

The name of the corporation is GLD, GROUP LONG DISTANCE, INC.

ARTICLE II

DURATION

The period of duration of the corporation is perpetual. Corporate existence shall commence on the date these Articles are executed and acknowledged, except that if they are not filed by the Department of State of the State of Florida within five (5) days, exclusive of legal holidays, after they are executed and acknowledged, corporate existence shall commence upon filing by the Department of State.

ARTICLE III

PURPOSES

The purpose for which the corporation is organized is to transact any and all lawful business, and to engage in any activity within the purpose for which corporations may be organized under the Florida General Corporation Act.

ARTICLE IV

CAPITAL STOCK

(a) Authorized Capital: The maximum number of shares of stock which this corporation is authorized to have outstanding at any one time is ONE THOUSAND (1,000) shares of common stock having a par value of one dollar ($1.00) per share.

(b) Preemptive Rights. Shareholders shall have no preemptive rights.

(c) Cumulative Voting. Cumulative voting shall not be permitted.

ARTICLE V

INITIAL PRINCIPAL OFFICE
INITIAL REGISTERED OFFICE AND AGENT

The street address of the initial principal office of the corporation is 145 W. Cypress Creek Road, Suite #200 Ft. Lauderdale, FL 33309. The street address of the initial registered office is 2250 S.W. 3rd Ave., Third Floor, Miami, FL 33129, and the name of the initial registered agent of the corporation is Manuel A. Avila, Esq.

0143 6:15

ARTICLE VI

BY-LAWS

The initial by-laws of this corporation shall be adopted by the directors. By-laws may be adopted, altered, amended or repealed from time to time by either the shareholders or the Board of Directors, but the Board of Directors shall not alter, amend, or repeal any By-laws adopted by the shareholders if the shareholders specifically provide that such By-laws shall not be altered, amended or repealed by the Board of Directors.

ARTICLE VII

DIRECTORS

The initial Board of Directors shall consist of one member, who needs not be a resident of the State of Florida or shareholder of the corporation.

The name and addresse of the person who shall serve as director until the first annual meeting of shareholders, or until their successors shall have been elected and qualified, is as follows:

NAME	ADDRESS
GERALD M. DUNNE, JR.	1451 W. Cypress Creek Road, Suite #200 Ft. Lauderdale, FL 33309

97-06-16

ARTICLE VIII

INCORPORATORS

The name and address of the initial incorporator is as follows:

NAME	ADDRESS
Manuel A. Avila, Esquire	2250 S.W. 3rd Avenue Third Floor Miami, FL 33129

ARTICLE IX

RIGHT TO AMEND

The corporation reserves the right to amend or repeal any provisions contained in these Articles of Incorporation, and any right conferred upon the shareholders is subject to this reservation.

IN WITNESS WHEREOF, the undersigned incorporator has executed these Articles of Incorporation this 21ST day of April, 1997.

Manuel A. Avila

Manuel A. Avila, Esquire

STATE OF FLORIDA)
)ss.
COUNTY OF DADE)

The foregoing instrument was acknowledged before me this 21st day of April, 1997 by Manuel A. Avila, who is personally known to me and who did take an oath.

R. Ventura

Notary Public, State of Florida at Large

NOTARY PUBLIC STATE OF FLORIDA

RALPH VENTURA
My Commission CC533062
Expires Feb. 19, 2000

My Commission Expires: Print Name

8143617

ACCEPTANCE OF APPOINTMENT AS REGISTERED AGENT

I, Manuel A. Avila, Esquire hereby accept the designation as Registered Agent of GLD, Group Long Distance, Inc., a Florida corporation.

Manuel A. Avila, Esquire

STATE OF FLORIDA)
)ss.
COUNTY OF DADE)

The foregoing instrument was acknowledged before me this 21st day of April, 1997 by Manuel A. Avila, who is personally known to me and who did take an oath.

Notary Public, State of Florida at Large

RALPH VENTURA
My Commission CC[illegible]
Expires Feb. 19, 2000

Print Name

My Commission Expires:

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SECRETARY OF STATE
TALLAHASSEE, FLORIDA

EXHIBIT C - FINANCIAL STATEMENTS

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Group Long Distance, Inc.

We have audited the accompanying balance sheet of Group Long Distance, Inc. (the "Company") as of April 30, 1996, and the related statements of earnings, 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.

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 Group Long Distance, Inc. as of April 30, 1996, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Fort Lauderdale, Florida
July 26, 1996

GRANT THORNTON LLP

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors Group Long Distance, Inc.

We have audited the accompanying balance sheets of Group Long Distance, Inc. as of April 30, 1995 and 1994, and the related statements of income, stockholders' equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Group Long Distance, Inc. as of April 30, 1995 and 1994, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

TIMOTHY M. HOHL COMPANY P.A.

Tampa, Florida
November 24, 1995

GROUP LONG DISTANCE, INC.

BALANCE SHEETS

	April 30, 1995	April 30, 1996	December 31, 1996 (Unaudited)
ASSETS			
Current assets			
Cash	$ 123,051	$ 78,767	$ 8,938
Accounts receivable less allowance for doubtful accounts of $568,000, $358,000 and $1,045,000 at April 30, 1995, 1996 and January 31, 1997, respectively	1,368,345	1,201,710	2,998,096
Note receivable—related party	—	96,956	139,170
Deferred tax assets	214,000	147,900	307,261
Prepaid expenses and other current assets	6,244	76,638	1,109,160
	1,711,640	1,601,971	4,562,625
Note receivable—related party, net of current portion	—	85,094	—
Property and equipment net of accumulated depreciation of $20,582, $29,647 and $96,240 at April 30, 1995, 1996, and January 31, 1997, respectively	31,581	77,276	351,119
Customer acquisition costs, net of accumulated amortization of $10,386, $134,602 and $3,143,824 at April 30, 1995, 1996 and January 31, 1997	106,659	886,917	3,447,016
Deferred offering costs	—	73,478	360,947
Other assets	—	15,675	67,054
Total assets	$1,849,880	$2,740,411	$ 8,788,761
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
Current liabilities			
Line of credit	$ —	$ 47,920	$ 63,250
Accounts payable	1,059,356	1,543,718	3,423,739
Accrued expenses and other liabilities	90,879	245,138	530,597
Current portion of long-term debt	486,550	609,811	2,407,196
Current portion of long-term debt—related party	67,083	—	—
Current portion of capital lease obligations	—	6,456	25,190
	1,703,868	2,453,043	6,449,972
Long-term debt, net of current portion	160,000	83,159	2,573,621
Capital lease obligations, net of current portion	—	15,568	39,929
Total liabilities	$1,863,868	$2,551,770	$ 9,063,522
Commitments and contingencies	$ —	$ —	—
Stockholders' equity (deficit)			
Preferred stock, no par value, 2,000,000 shares authorized; no shares issued and outstanding	—	—	—
Common stock, no par value, 12,000,000 shares authorized; 1,761,000, 2,057,353 and 2,212,354 shares issued and outstanding, as of April 30, 1995, 1996 and January 31, 1997, respectively	—	—	—
Additional paid-in capital	263,700	268,364	1,953,364
Accumulated deficit	(277,688)	(79,723)	(2,228,125)
Total stockholders' equity (deficit)	(13,988)	188,641	(274,761)
Total liabilities and stockholders' equity	$1,849,880	$2,740,411	$ 8,788,761

The accompanying notes are an integral part of these statements.

GROUP LONG DISTANCE, INC.

STATEMENTS OF OPERATIONS

	Year Ended April 30,		Nine Months Ended January 31,	
	1995	1996	1996	1997
			(Unaudited)	
Sales	$9,538,095	$12,364,643	$9,194,209	$17,098,542
Cost of sales	6,992,817	9,009,131	6,733,615	12,512,943
Gross profit	2,545,278	3,355,512	2,460,594	4,585,599
Selling, general and administrative expenses	2,074,127	2,835,316	1,991,164	3,354,065
Depreciation and amortization	16,070	133,281	53,730	3,072,544
Interest expense, net	22,177	19,050	12,654	307,392
Earnings (loss) before income taxes	432,904	367,865	403,046	(2,148,402)
Income tax expense	151,000	169,900	154,030	—
Net earnings (loss)	$ 281,904	$ 197,965	$ 249,016	$(2,148,402)
Earnings (loss) per common and common equivalent share	$ .15	$ .10	$ 0.13	$ (0.97)

The accompanying notes are an integral part of these statements.

GROUP LONG DISTANCE, INC.

STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

Two Years Ended April 30, 1996 and Nine Months Ended January 31, 1997 (Unaudited)

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance, May 1, 1994	1,755,500	$—	$ 183,700	$ (559,592)	$ (375,892)
Issuance of common stock	32,000	—	17,500	—	17,500
Issuance of common stock for exercise of stock options	179,500	—	94,500	—	94,500
Common stock reacquired and retired	(42,000)	—	(32,000)	—	(32,000)
Net earnings	—	—	—	281,904	281,904
Balance, April 30, 1995	1,925,000	—	263,700	(277,688)	(13,988)
Exercise of options	132,353	—	110,000	—	110,000
Costs of registering shares	—	—	(105,336)	—	(105,336)
Net earnings	—	—	—	197,965	197,965
Balance, April 30, 1996	2,057,353	—	268,364	(79,723)	188,641
Issuance of common stock	200,000	—	1,400,000	—	1,400,000
Common Stock reacquired	(45,000)	—	(315,000)	—	(315,000)
Sale of Warrants to Tel-Save	—	—	600,000	—	600,000
Net loss for the period (unaudited)	—	—	—	(2,148,402)	(2,148,402)
Balance, December 31, 1996 (unaudited)	$2,212,354	$—	$1,953,364	$(2,228,125)	$ (274,761)

The accompanying notes are an integral part of this statement.

GROUP LONG DISTANCE, INC.

STATEMENTS OF CASH FLOWS

	Year Ended April 30,		Nine Months Ended January 31,	
	1995	1996	1996 (Unaudited)	1997 (Unaudited)
Cash flows from operating activities				
Net earnings	$281,904	$197,965	$ 249,016	$(2,148,402)
Adjustments to reconcile net earnings to net cash provided by operating activities				
Depreciation and amortization	16,070	133,281	53,730	3,072,544
Provision for bad debts	301,203	404,480	(373,865)	734,275
Changes in assets and liabilities				
Increase in accounts receivable	(723,413)	(237,845)	344 585	(2,230,661)
(Increase) decrease in notes receivable	—	(182,050)	—	42,880
(Increase) decrease in deferred tax asset	146,000	66,100	14[illegible]108	(159,361)
(Increase) decrease in prepaid expenses and other current assets	3,396	(70,394)	(275,290)	(632,522)
Increase in accounts payable	358,155	484,362	143,834	972,269
Increase (decrease) in accrued expenses and other liabilities	(2,098)	154,259	112,967	285,189
Net cash provided by (used in) operating activities	381,217	950,158	402,285	(63,789)
Cash flows from investing activities				
Acquisitions of property and equipment	(28,961)	(32,249)	(20,950)	(162,166)
Acquisitions of customer bases	(117,045)	(904,474)	(446,122)	(6,717,491)
Increase in other assets	—	(15,675)	—	(51,379)
Net cash used in investing activities	(146,006)	(952,398)	(467,072)	(6,931,036)
Cash flows from financing activities				
Net borrowings under line of credit agreement	—	47,920	—	50,000
Proceeds from loan originations	17,210	112,159	80,350	7,828,039
Principal repayments of long-term debt	(309,861)	(132,822)	(15,000)	(650,935)
Proceeds from the sale of common stock	112,000	110,000	35,000	—
Principal repayments of capital lease obligations	—	(487)	—	(14,639)
Offering costs incurred	—	(178,814)	(150,661)	(287,469)
Common stock repurchased and retired	(8,000)	—	—	—
Net cash (used in) provided by financing activities	(188,651)	(42,046)	(50,311)	6,924,996
Net increase (decrease) in cash	$ 46,560	$ (44,284)	$(115,098)	$ (69,829)
Cash at beginning of period	76,491	123,051	123,051	78,767
Cash at end of period	$123,051	$ 78,767	$ 7,953	$ 8,938

Noncash investing and financing activity:

The Company acquired a customer base partially with common stock with a value of $1,085,000 during the eight month period ended December 31, 1996.

The accompanying notes are an integral part of these statements.

GROUP LONG DISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS

Two Years Ended April 30, 1996 and for the Nine Months Ended January 31, 1996 and 1997 (Information Relating to the Nine Months Ended January 31, 1996 and 1997 is Unaudited)

Note A—Formation and Operations of the Company

In November 1995, Group Long Distance, Inc. (the "Company") (which was originally incorporated in July 1990) merged into Second ITC Corporation, the surviving corporation, whose name was changed to Group Long Distance, Inc. The existing stockholders of Group Long Distance retained 94% of the issued and outstanding stock of the merged company. For accounting purposes, the acquisition has been treated as a recapitalization of Group Long Distance with Group Long Distance as the acquired (reverse acquisition), and the financial statements of Group Long Distance are considered to be the financial statements of the Company. Historical stockholders' equity of Group Long Distance prior to the merger has been retroactively restated.

The Company is a nonfacilities based reseller of long distance telecommunication services. The Company utilizes services contracts to provide its customers with switched, dedicated and private line services to various long distance telecommunications networks such as AT&T Tel-Save, Worldcom and ICI.

Note B—Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Principles of Consolidation

The financial statements at December 31, 1996 and for the eight months period ended December 31, 1996 represents the consolidated results of the Company and its wholly-owned subsidiaries Gulf Communication Services, Inc., and Adventures-in-Telecom, Inc., which were acquired in May and July 1996, respectively (see Note O). All intercompany balances have been eliminated in consolidation. The financial statements as of April 30, 1995 and 1996 and for the years then ended only included the operations of the Company without any subsidiaries.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents.

Property and Equipment

Additions and major renewals to property and equipment are recorded at cost. Maintenance and repairs are charged to expense when incurred. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any resulting gain or loss is reflected in income. The Company provides for depreciation using the straight-line method over an estimated useful life of five years for office equipment, furniture and fixtures and leasehold improvements.

Customer Acquisition Costs

Customer acquisition costs represent the cost of purchased customer accounts which are amortized over five years utilizing an accelerated method. The Company's amortization method and life are based on estimated attrition rates and attempt to match these costs with the corresponding revenues.

GROUP LONG DISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS—(Continued)

Two Years Ended April 30, 1996 and for the Nine Months Ended January 31, 1996 and 1997 (Information Relating to the Nine Months Ended January 31, 1996 and 1997 is Unaudited)

Note B—Summary of Significant Accounting Policies—(Continued)

In December 1996, as a result of higher than expected customer attrition, the Company accelerated the amortization of the acquisition costs of the AIT customer base. This change in estimate resulted in $1,484,700 of additional amortization expense in the eight months ended December 31, 1996 based upon the new first year amortization rate of 75% compared to the estimated rate of 30% which the Company was previously using. The Company will amortize the remaining balance using 15% in year 2 and 10% in year 3. The higher than expected attrition resulted from delays in implementing the Company's service and retention program which relies, in part, on Tel-Save's installation of its new AT&T digital switching equipment. Additionally, increasingly competitive conditions in the industry have affected the attrition rate.

Income Taxes

Deferred income taxes have been provided for elements of income and expense which are recognized for financial reporting purposes in periods different than such items are recognized for income tax purposes. The Company accounts for deferred taxes utilizing the liability method, which applies the enacted statutory rates in effect at the balance sheet date to differences between the book and tax basis of assets and liabilities. The resulting deferred tax liabilities and assets are adjusted to reflect changes in tax laws.

Earnings Per Share

Earnings per share are based upon the weighted average number of common and common equivalent shares outstanding during each year. The total number of such weighted average shares was 1,840,250 and 2,018,474 for the years ended April 30, 1995 and 1996, respectively, and 2,059,025 and 2,222,917 for the eight months ended December 31, 1995 and 1996, respectively. Stock options and warrants are considered common stock equivalents unless their inclusion would be antidilutive.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments," requires disclosure of estimated fair values of financial instruments. These estimated fair values are to be disclosed whether or n t they are recognized in the balance sheet, provided it is practical to estimate such values. The Company estimates that the fair value of its financial instruments approximates the carrying value of its financial instruments at April 30, 1996.

Accounting For Impairment of Long-Lived Assets

Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," requires that long-lived assets and certain intangibles

GROUP LONG DISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS—(Continued)

Two Years Ended April 30, 1996 and for the Nine Months Ended January 31, 1996 and 1997 (Information Relating to the Nine Months Ended January 31, 1996 and 1997 is Unaudited)

Note B—Summary of Significant Accounting Policies—(Continued)

held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This statement had no impact on the Company's results of operations or financial position upon adoption in May 1996.

Stock Options

Options granted under the Company's Stock Option Plan are accounted for under APB 25, "Accounting for Stock Issued to Employees," and related interpretations. In October 1995, the Financial Accounting Standards Board issued Statement 123, "Accounting for Stock-Based Compensation," which will require additional proforma disclosures for companies that will continue to account for employee stock options under the intrinsic value method specified in APB 25. The Company plans to continue to apply APB 25 and the only effect of adopting Statement 123 in May 1996 will be the new disclosure requirement.

Interim Financial Information

The financial statements at December 31, 1996 and for the eight month periods ended December 31, 1995 and 1996 are unaudited and prepared on the same basis as the audited consolidated financial statements included herein.

In the opinion of management, such interim financial statements include all adjustments (consisting of normal recurring adjustments) necessary to present fairly the results for such periods. The results of operations for the eight months ended December 31, 1996 are not necessarily indicative of the results to be expected for the full year or any other interim period.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform with the current year presentation.

Note C—Concentrations of Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of accounts and notes receivable which are due from businesses primarily located in the Southeastern United States. The Company continually evaluates the creditworthiness of its customers; however, it generally does not require collateral.

The majority of the Company's revenues are derived from calls placed through AT&T's reseller, Tel-Save, Inc. ("Tel-Save"). Such revenues represented 61% and 67% of total revenues in fiscal 1996 and 1995, respectively.

Note D—Line of Credit

On December 11, 1995, the Company entered into a $50,000 line of credit agreement with a financial institution. The line of credit was renewed in August 1996, matures on August 1997 and bears interest at prime plus 2%. The line of credit is collateralized by all the Company's equipment, machinery, furniture and intangibles and is personally guaranteed by the Company's president.

GROUP LONG DISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS—(Continued)

Two Years Ended April 30, 1996 and for the Nine Months Ended January 31, 1996 and 1997 (Information Relating to the Nine Months Ended January 31, 1996 and 1997 is Unaudited)

Note E—Long-Term Debt

Long-term debt is comprised of the following at April 30, 1995 and 1996:

	1995	1996	December 31, 1996 Unaudited
Secured Tel-Save interest bearing Note at 6.5%	$ —	$ —	$3,788,135
Secured WorldCom interest bearing Note at 16.5%	—	—	1,294,017
Unsecured promissary note payable to a Corporation in connection with an acquisition. The Note is payable in equal monthly installments of $10,000 until February 1, 1998	—	—	117,886
Unsecured non-interest bearing settlement payable to AT&T. The Company has been and continues to be in default under this obligation. See also Note L.	557,500	547,500	547,500
Unsecured promissory note payable to a director of the Company and an unaffiliated third party. The note, which matures on September 25, 1997, is due in 24 equal monthly payments $2,600 and bears interest at prime plus 2%. See also Note J.	—	91,428	72,317
Unsecured non-interest bearing note payable to an individual. The note, which matures on April 1, 1997, is due in equal monthly principal payments of $1,000.	24,000	11,000	5,000
Unsecured 11% interest bearing note which is payable in monthly installments of $1,000 and matures in fiscal 1998.	32,093	25,973	21,691
18% interest bearing note payable to an individual. The note is collateralized by 100,000 shares of the Company's common stock.	32,957	17,069	19,228
11% interest bearing notes payable to stockholders. The notes were repaid on December 31, 1995.	67,083	—	—
	713,633	692,970	5,865,774
Less current portion of long-term debt	553,633	609,811	2,394,830
	$160,000	$ 83,159	$3,470,944

GROUP LONG DISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS—(Continued)

Two Years Ended April 30, 1996 and for the Nine Months Ended January 31, 1996 and 1997 (Information Relating to the Nine Months Ended January 31, 1996 and 1997 is Unaudited)

Note E—Long-Term Debt—(Continued)

Principal maturities of long-term debt at April 30, 1996 are as follows:

Year Ending April 30	
1997	$609,811
1998	38,876
1999	44,283
2000 and thereafter	—
	$692,970

Note F—Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" which requires the use of the "liability method" of accounting for income taxes. Accordingly, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities, using statutory federal income tax rates in effect for the year.

The Company, at April 30, 1996, has an alternative minimum tax credit carryforward for federal income tax purposes of approximately $13,000, which is available to offset future income liabilities.

The provision for income taxes consists of the following at April 30,:

	1995	1996
Current	$ 5,000	$103,800
Deferred	146,000	66,100
	$151,000	$169,900

The provision for income taxes differs from the amount of income tax determined by applying the applicable statutory federal income tax rates to pretax income as a result of the following differences at April 30, 1995 and 1996:

	1995	1996
Provision for income taxes, at 34%	$147,100	$125,800
Increase (decrease) in tax resulting from:		
Amortization	—	33,400
Nondeductible items	6,000	7,700
Alternative minimum tax credits	(5,000)	(13,000)
Effect of graduated tax rates	(14,100)	(1,800)
State taxes, net of federal tax benefit	17,000	13,700
Other	—	4,100
	$151,000	$169,900

Note F—Income Taxes—(Continued)

Deferred tax assets are comprised of the following at April 30, 1995 and 1996.

	1995	1996
Allowance for doubtful accounts	$210,405	$134,700
Customer acquisition costs	—	37,000
Accrued bonus	—	13,200
Alternative minimum tax credits	3,595	—
	214,000	184,900
Less valuation allowance	—	37,000
	$214,000	$147,900

Note G—Leases

The Company leases various office facilities under noncancellable operating leases which expire at various dates through March 2000. The leases contain renewal options and provide for rental increases by either index or renegotiation. Further, some of the leases require payment of common area maintenance and utilities. Rent expense for the years ended April 30, 1996 and 1995 totaled approximately $74,800 and $73,500.

Approximate future minimum lease payments applicable to noncancellable operating leases are as follows:

Year Ending April 30	
1997	$ 88,728
1998	91,118
1999	89,096
2000 and thereafter	73,266
	$342,208

The Company leases certain equipment under capital lease agreements. The economic substance of these agreements is that the Company is financing the acquisition of assets. The net book value of the equipment leased is $22,511. The following is a schedule of the future minimum annual lease payments due under the leases:

Year Ending April 30	
1997	$ 9,265
1998	9,265
1999 and thereafter	8,494
Total minimum future lease payments	27,024
Less amounts representing interest	5,000
Present value of future minimum lease payments	22,024
Less current portion	6,456
	$ 15,568

GROUP LONG DISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS—(Continued)

Two Years Ended April 30, 1996 and for the Nine Months Ended January 31, 1996 and 1997 (Information Relating to the Nine Months Ended January 31, 1996 and 1997 is Unaudited)

Note H—Commitments and Contingencies

Certain of the Company's network service agreements contain provisions for guaranteed monthly volume and network usage which is the basis for determining volume discounts and other special billing features. If the Company is unable to achieve the guaranteed monthly volume, the agreements provide for various surcharges.

In February 1997 (see Note O), the Company and the Company's President and Chief Executive Officer entered into a two-year employment agreement providing a base salary of $130,000 and a bonus based on certain earnings criteria. In addition, Mr. Dunne will be granted options to purchase 250,000 shares of Common Stock at an exercise price equal to the fair market value of the Common Stock on the date of grant.

Nortel, Inc. ("Nortel") and Accutel Communications, Inc. ("Accutel") have filed combined suits against the Company alleging causes of action for anticipatory breach of contract and breach of contract arising from the termination by the Company of service under a service contract and independent marketing distributor agreement with each party. The Company terminated the telephone services of Nortel and terminated the distributor relationship with Accutel for breaches of contract, including the failure to comply with the payment terms of their contracts. Nortel and Accutel claim that the Company anticipatorily and wrongfully terminated their contracts, and Accutel claims that the Company owes it $89,664 in unpaid commissions. Nortel sued for an injunction against the Company's termination of telephone services and was awarded an ex-parte temporary injunction, but at a hearing for dissolution of the order the Court immediately ordered the dissolution of the prior injunction and ordered all parties to attend mediation. The Company believes it was justified in terminating service in accordance with the contracts and intends to vigorously defend its position. However, there can be no assurance as to the possible outcome of this action.

Between October 1991 and June 1991, the Company borrowed an aggregate of approximately $125,000 from Mr. Harold L. Sutton, a stockholder of the Company. As of April 30, 1996 the Company owed Mr. Sutton $17,069. In connection with such borrowings the Company at various times pledged securities to secure its obligations. The Company and Mr. Sutton currently are in dispute with respect to the ownership of 100,000 shares of Common Stock originally pledged to secure the Company's borrowings. Between October 1991 and June 1991, the Company borrowed an aggregate of approximately $125,000 from Mr. Harold L. Sutton, a stockholder of the Company. As of April 30, 1996, the Company owed Mr. Sutton approximately $17,069. In connection with such borrowings the Company at various times pledged securities to secure its obligations. The Company and Mr. Sutton currently are in dispute with respect to the ownership of 100,000 shares of Common Stock originally pledged to secure the Company's borrowings from Mr. Sutton. In January 1997, the Company filed an action seeking a declaratory judgment and a judicial determination.

In November 1995, the Board of Directors and shareholders of a predecessor corporation ("GLD") approved a Plan and Agreement of Merger which stated that the shareholders of GLD would own 94% of the outstanding shares of Common Stock of Second ITC and the shareholders of Second ITC would own the remaining 6% of the outstanding shares. Pursuant to the merger, the shareholders of GLD received 87.5% of the shares of Second ITC and the shareholders of Second ITC received 12.5% of the outstanding shares of Second ITC, which included an aggregate of 130,000 shares (6.5%) issued to employees of the Company (collectively, the "founders"). While the merger and the issuance of the shares to the founders have been subsequently ratified by a majority of the shareholders of the Company that were shareholders of GLD at the time of the merger, there can be no assurance that shareholders will not seek legal action against the Company and the founders for failing to disclose the issuance of such shares and the resulting dilution to the shareholders or that any such action would not have a material adverse effect on the Company. Pursuant to an indemnification agreement (i) the Company and each of the founders, jointly and severally, have agreed to indemnify the Underwriters, and each of the

GROUP LONG DISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS—(Continued)

Two Years Ended April 30, 1996 and for the Nine Months Ended January 31, 1996 and 1997 (Information Relating to the Nine Months Ended January 31, 1996 and 1997 is Unaudited)

Note H—Commitments and Contingencies—(Continued)

founders has agreed to indemnify the Company, for any and all losses, claims, damages, expenses or liabilities (including reasonable legal fees and expenses) as a result of any claim arising out of or based upon the failure to disclose the issuance of the shares to the founders and (ii) in the event that as a result of any such claim, the Company is required to issue additional shares of Common Stock, the founders have agreed to deliver an equal number of shares of Common Stock to the Company for cancellation.

The Company is from time to time the subject of complaints or litigation in the ordinary course of its business. The Company believes that the lawsuits, claims and other legal matters to which it has become subject are not material to the Company's financial condition or results of operations, but an existing or future lawsuit or claim resulting in an adverse decision against the Company could have a material adverse effect on the Company's financial condition and results of operations.

Note I—Related Party Transactions

The Company has entered into an agreement with a related party which provides for monthly royalty payments based upon a sliding scale percentage of the Company's monthly net revenues. Royalties paid for the years ended April 30, 1996 and 1995 totaled approximately $111,800 and $91,300. This agreement terminates at the earliest of the following occurrences: (a) the closing of an initial public offering of the Company's common stock in excess of $4,000,000, (b) the sale of substantially all of the Company's assets or common stock to third party, or certain other conditions.

Note J—Stock Options

The following option information has been adjusted to reflect the change required by the merger of Second ITC Corporation in November 1995. In November 1993, as an inducement to loan the Company $190,000, the Company issued stock options to purchase 90,505 shares of the Company's common stock for $1.05 per share. Options to purchase 80,978 shares of the Company's common stock have been exercised as of April 30 ,1996. The remaining options expire in November 1997.

In February 1994, the Company issued stock options to purchase 19,054 shares of common stock for $.53 per share to employees of the Company. None of these options were exercised during the year ended April 30, 1996.

In February 1994, the Company issued stock options to purchase 47,635 shares of common stock for $.50 per share to an officer of the Company. These options were exercised during the year ended April 30, 1996.

In September 1995, as an inducement to loan the Company $100,000, the Company issued stock options to a director and an unaffiliated third party to purchase 47,635 shares of the Company's common stock at $3.15 per share. These options expire on September 30, 1997. None of these options were exercised at April 30, 1996. See also Note E.

GROUP LONG DISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS—(Continued)

Two Years Ended April 30, 1996 and for the Nine Months Ended January 31, 1996 and 1997 (Information Relating to the Nine Months Ended January 31, 1996 and 1997 is Unaudited)

Note J—Stock Options—(Continued)

At April 30, 1996, there were unexercised options to purchase 76,216 shares of the Company's common stock outstanding (all of which were exercisable) as follows:

Date Options Granted	Options Outstanding	Exercise Price
November, 1993	9,527	$1.05
February, 1994	19,054	$ .53
September, 1995	47,635	$3.15
	76,216	

Note K—Supplemental Cash Flow Information

Supplemental disclosure of cash flow information:

	1995	1996
Cash paid during the year for interest	$ 37,612	$ 21,687
Cash paid during the year for taxes	$ 8,312	$ 5,000
Noncash financing activities:		
Purchase of stock	$ 32,000	$ —
Less: Debt incurred	24,000	—
Cash payments for the purchase of stock	$ 8,000	$ —
Property and equipment acquired under capital lease obligations	$ —	$ 25,511
Issuance of 200,000 shares in connection with acquisition of AIT (see Note O)	$ —	$1,400,000

Note L—Settlement Agreements

In June 1993, the Company settled certain billing disputes with AT&T and executed a settlement agreement which resulted in a gain of approximately $500,000. The Company then paid down the agreed upon balance in fiscal 1994 and 1995 to the present balance of approximately $548,000. The Company is currently in default under its payment obligations to AT&T.

Note M—Equity

The Company is authorized to issue 1,000,000 shares of preferred stock, none of which has been issued. The preferred stock, if and when issued, is entitled to receive a noncumulative dividend of $1.00 per share, and no dividends may be paid on the common stock during any fiscal year until such $1.00 per share dividend has been declared to preferred stockholders.

On December 3, 1996, the Board of Directors approved an increase in authorized stock, subject to stockholder approval, to 14 million shares. Common stock will be increased from 5,000,000 to 12,000,000 shares and preferred stock will increase from 1,000,000 to 2,000,000 shares.

GROUP LONG DISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS—(Continued)

Two Years Ended April 30, 1996 and for the Nine Months Ended January 31, 1996 and 1997 (Information Relating to the Nine Months Ended January 31, 1996 and 1997 is Unaudited)

Note N—Risks and Uncertainties

The Company's operations are based upon agreements with a limited number of long-distance carriers who provide access to phone lines and transmission facilities. The carriers also provide call data records, and in the case of Tel-Save, the carrier also bills the Company's customers on the Company's behalf. The Company is dependent upon such carriers for such services, and there is a reasonable possibility that there could be equipment failures or other service interruptions that could materially affect the Company. Such delays could result in postponed or possibly lost sales, which could adversely affect operating results.

The Company's amortization method for customer acquisition costs is based on management's best estimate of the period of time and amounts of revenue to be derived from each applicable customer base. The Company cannot predict customer attrition rates with absolute certainty so it is reasonably possible that such amortization may need to be increased in the future.

Note O—Subsequent Events

Stock Option Plan

In October 1996, the Company's board of directors approved a Stock Option Plan (the "Plan"). The Plan was approved by the shareholders of the Company in February 1997. The Plan permits the granting of stock options to eligible participants. The Plan permits the granting of both incentive stock options (which are entitled to certain favorable treatment under the Internal Revenue Code of 1986) and nonqualified stock options (*i.e.*, options which are not intended to be incentive stock options). A total of 600,000 shares of Common Stock will be available for issuance. Employees and consultants of the Company and its subsidiaries are eligible to be selected to receive options. The Plan also provides for the automatic grant of stock options to nonemployee members of the Company's Board of Directors. Nonemployee director options will be granted pursuant to an automatic, nondiscretionary formula. Options to purchase an aggregate of 526,500 shares of Common Stock have been issued under the Plan.

Acquisitions

In May 1996, the Company purchased, for $207,000, the stock and assets, including the customer base, of Gulf Communications Service, Inc. ("Gulf") in consideration of $25,000 in cash and the assumption of a promissory note in the principal amount of $182,000. Gulf has switching equipment which allows it to act as an international call back and call through provider. The promissory note of $182,000 is payable monthly installments of $10,000 through February 1, 1998.

In July 1996, the Company entered into a Purchase Agreement and Plan of Exchange with Adventures-in-Telecom, Inc. ("AIT") whereby the Company purchased 100% of the common stock of AIT. AIT is a non-facilities based reseller of long distance communication services. The purchase price was comprised of $5,271,230 in cash and 200,000 restricted shares of common stock of the Company. In December 1996, the Company agreed with the former shareholders of AIT to cancel 45,000 of the 50,000 shares that were subject to the holdback provisions, in settlement of certain claims by the Company against the AIT shareholders.

Acquisition Financing

The Company, to finance the AIT acquisition, issued a note payable to Tel-Save in July 1996 for $5,521,230. This note bears interest at 6.5% per annum and matures in July 1997. Included in the face of the note are amounts due to the lending corporation at April 30, 1996 that aggregate $250,000. These amounts are reflected in accounts payable—carrier at April 30, 1996. To induce Tel-Save to provide the financing needed to

GROUP LONG DISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS—(Continued)

Two Years Ended April 30, 1996 and for the Nine Months Ended January 31, 1996 and 1997 (Information Relating to the Nine Months Ended January 31, 1996 and 1997 is Unaudited)

Note O—Subsequent Events—(Continued)

purchase AIT, the Company issued a warrant to purchase 300,000 shares of common stock of the Company at $5.75 per share and a warrant to purchase 50,000 shares of common stock of the Company at $5.00 per share. Both warrants are exercisable through July 2001 and subject to certain registration rights.

The Company's loan agreement with Tel-Save was amended in February 1997 to provide for the repayment of the Acquisition Loan in monthly payments of $125,000 plus interest, beginning after September 1997, provided that this offering is consummated by April 15, 1997. In the event that this offering is not consummated by such date, the loan agreement would revert to the original terms and obligate the Company to pay the difference between the aggregate amount of payments made and the aggregate amount it would have paid had it made monthly payments of $500,000 since July 1996 and to continue to make monthly payments of $500,000 through July 1997.

In January 1997, the Company purchased from Great Lakes (i) a customer base consisting of approximately 7,000 customers that were subject to an agreement between Great Lakes and Tel-Save and (ii) a warrant to purchase 200,000 shares of Common Stock of Tel-Save in consideration of $1,200,000 in cash. In connection with such acquisition, the Company borrowed $1,200,000 from Tel-Save. In January 1997, Tel-Save repurchased the Tel-Save Warrants from the Company in consideration of $1,800,000 and credited the Company with such amount ($1,200,000 toward the Great Lakes acquisition and $600,000 toward the Company's outstanding principal balance under the Acquisition Loan). The $600,000 reduction of debt has been accounted for as a contribution to paid-in-capital by Tel-Save. No value has been assigned to the customer base acquired from Great Lakes.

Accounts Payable Conversion

In June 1996, the Company converted certain accounts payable to WorldCom into a promissory note in the principal amount of $566,917 bearing interest at a rate of 15% per annum. In December 1996, the Company cancelled the prior note and converted additional accounts payable to WorldCom into a single promissory note in principal amount of $1,253,798 bearing interest at the rate of 16% per annum. The promissory note provides for the Company to make equal monthly payments of $113,758 to WorldCom until December 20, 1997.

Public Offering

The Board has authorized the filing of a registration statement relating to a public offering of 1,250,000 shares of Common Stock and 1,250,000 redeemable common stock purchase warrants ("Redeemable Warrants"). In addition to the issuance and sale of 1,250,000 shares of Common Stock, up to 187,500 additional shares and/or 187,500 Redeemable Warrants may be sold by the underwriters pursuant to an over-allotment option.

Note Payable

In May 1996, the Company entered into an agreement with a financial institution to borrow $50,000. The loan bears interest at the prime rate plus 2% and matures on May 2, 1997. The loan is collateralized by all the Company's equipment, machinery, furniture and intangibles and is personally guaranteed by the Company's president.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Group Long Distance, Inc.

We have audited the accompanying Historical Statements of Income and Direct Operating Expenses exclusive of items not comparable to the proposed future operations of the customer base of Adventures in Telecom, Inc. for each of the two years in the period ended April 30, 1996. These statements are the responsibility of the management of Group Long Distance, Inc. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statements. We believe that our audits provide a reasonable basis for our opinion.

The accompanying statements were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission (for inclusion in the registration statement on Form SB-2 of Group Long Distance, Inc.) as described in Note A and are not intended to be a complete presentation of Adventures in Telecom, Inc.'s revenues and expenses.

In our opinion, the statements referred to above present fairly, in all material respects, the operating income and direct operating expenses described in Note A of Adventures in Telecom, Inc. for each of the two years in the period ended April 30, 1996 in conformity with generally accepted accounting principles.

Fort Lauderdale, Florida
October 4, 1996

GRANT THORNTON LLP

ADVENTURES IN TELECOM, INC.

HISTORICAL STATEMENTS OF INCOME AND DIRECT OPERATING EXPENSES EXCLUSIVE OF ITEMS NOT COMPARABLE TO THE PROPOSED FUTURE OPERATIONS OF THE CUSTOMER BASE

	For the Year Ended April 30,	
	1996	1995
Revenues	$24,502,517	$11,256,362
Direct operating expenses		
Telephone expense	17,606,574	8,295,237
Operating income exclusive of items not comparable to the proposed future operations of the property	$ 6,895,943	$ 2,961,125

Note A—Organization and Basis of Presentation

Adventures-in-Telecom, Inc. ("AIT") is a corporation formed to hold a customer base (which is broken down by groups called "partitions") that was acquired from a division of another telecommunications company. These operations are not divisible from the larger entity, and complete financial information is not readily available for AIT's operations nor is it comparable to the proposed future operations of this customer base. Accordingly, it is impracticable to prepare the full financial statements required by Regulation S-X. The audited statements include only the direct income and direct operating expense of servicing this customer base. Amounts of selling general, and administrative expenses expected after the acquisition are reflected in the pro forma statements of operations.

Note B—Revenues

In 1995, the servicing of certain customer partitions began at different times throughout the year. However, during 1996 the majority of these customer partitions were serviced for the entire year. As a result, revenues increased significantly in 1996 as compared to 1995.

GROUP LONG DISTANCE, INC.
PRO FORMA FINANCIAL STATEMENTS

In July 1996, Group Long Distance, Inc. ("GLD") acquired Adventures-in-Telecom, Inc., ("AIT") whose assets consisted of a customer base of approximately 30,000 customers and related accounts receivable.

The following unaudited pro forma statement of operations for the year ended April 30, 1996, and the eight months ended December 31, 1996 are presented as if Group Long Distance had acquired AIT on May 1, 1995. Selling, general, and administrative expenses have been adjusted to reflect the incremental costs to operate this customer base within GLD's organizational structure. No pro forma balance sheet has been presented since the acquisition occurred prior to December 31, 1996.

Pro forma information is not necessarily indicative of what the Company's results of operations actually would have been if these transactions had in fact occurred on the dates indicated.

GROUP LONG DISTANCE, INC.

PRO FORMA STATEMENT OF OPERATIONS
For the Year Ended April 30, 1996
(Unaudited)

	Group Long Distance Inc.	Adventures in Telecom Inc.	Pro Forma Adjustments	Total Pro Forma
Revenues	$12,364,643	$24,502,517	$ —	$36,867,160
Cost of sales	9,009,131	17,606,574	—	26,615,705
Gross profit	3,355,512	6,895,943	—	10,251,455
Selling, general and administrative expenses	2,968,597	—	600,000(1) 735,076(2) 153,141(3) 205,348(4) 365,000(5) 4,242,000(6)	9,269,162
Interest expense (net)	19,050	—	342,000(7)	361,050
Earnings before income taxes	367,865	6,895,943	(6,642,565)	621,243
Income tax expense	169,900	—	548,665(8)	718,565
Net earnings (loss)	$ 197,965	$ 6,895,943	$(7,191,230)	$ (97,322)
Earnings (loss) per common and common equivalent share	$ .10			$ (.04)
Weighted average number of shares outstanding	2,018,474		155,000	2,173,474

---

1) To record commission expense payable to agents on "800" and "1 plus" revenues.
2) To record provision for bad debt on additional revenues. This provision is based on the Company's historical experience of 3% of revenues.
3) In connection with the AIT Acquisition, the Company entered into a management contract with Telscape International, Inc. ("Telscape"), pursuant to which the Company paid a fee of 1.5% of gross monthly billing to Telscape for management services, including handling of inbound customer service calls, processing of customer adjustments, calculation of commissions and coordination of agent accounts. The management contract was terminated in September 1996. The pro forma presentation has been adjusted to record a management fee expense equal to 1.5% of revenues in accordance with the management contract.
4) To record payroll expense for new customer service, accounting and management employees to be hired after the expiration of the management contract (see 3 above).
5) To record miscellaneous selling, general and administrative expenses. This amount includes estimates for telephone system upgrades and related charges, computer system upgrades, advertising, professional fees and other items.
6) To record amortization expense of the AIT customer base acquisition cost.
7) To record interest on the Acquisition Loan.
8) To record taxes on additional pre-tax income.

GROUP LONG DISTANCE, INC.

PRO FORMA STATEMENT OF OPERATIONS

For the Nine Months Ended January 31, 1997
(Unaudited)

	Historical Statement of Operations	Adventures in Telecom, Inc.	Pro Forma Adjustment	Total Pro Forma
Revenues	$ 17,098,542	$1,549,888	$ —	$18,648,430
Cost of sales	12,512,943	1,120,445	—	13,633,388
Gross profit	4,585,599	429,443	—	5,015,042
Selling, general and administrative expenses	6,426,609	—	35,579 (1) 46,497 (2) 23,248 (3) 30,420 (4) 353,500 (5)	6,915,853
Interest expense, net	307,392	—	28,239 (6)	335,631
Earnings before income taxes	(2,148,402)	429,443	(517,483)	(2,236,442)
Income tax expense	—	—	—	—
Net earnings	$ (2,148,402)	$ 429,443	$ (517,483)	$ (2,236,442)
Earnings per common and common equivalent share	$ (.97)			$ (.99)
Weighted average number of shares outstanding	2,222,917		38,905	2,261,822

1) To record commission expense payable to agents on "800" and "1 plus" revenues.

2) To record provision for bad debt on additional revenues. This provision is based on the Company's historical experience of 3% of revenues.

3) In connection with the AIT Acquisition, the Company entered into a management contract with Telscape, pursuant to which the Company paid a fee of 1.5% of gross monthly billing to Telscape for management services. The management contract was terminated in September 1996. The pro forma presentation has been adjusted to record a management fee expense equal to 1.5% of revenues in accordance with the management contract.

4) To record miscellaneous selling, general and administrative expenses. This amount includes estimates for telephone system upgrades and related charges, computer system upgrades, advertising, professional fees and other items.

5) To record amortization expense of the AIT customer base acquisition cost.

6) To record interest on the AIT Acquisition Loan.

EXHIBIT D - PROPOSED TARIFF

TITLE SHEET

SOUTH DAKOTA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service or facilities for Telecommunications Services furnished by GLD, Group Long Distance, Inc. ("GLD"), with principal offices at 1451 West Cypress Creek Road, Suite 200, Fort Lauderdale, Florida 33309. This tariff applies for services furnished within the State of South Dakota. This tariff is on file with the South Dakota Public Utilities Commission, and copies may be inspected, during normal business hours, at the company's principal place of business.

CONCURRING, CONNECTING OR

OTHER PARTICIPATING CARRIERS AND

BILLING AGENTS

1. Concurring Carriers - None
2. Connecting Carriers - None
3. Other Participating Carriers - None
4. Billing Agents - None

CHECK SHEET

Sheets 1 through 31 inclusive of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this sheet.

SHEET	REVISION
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
16	Original
17	Original
18	Original
19	Original
20	Original
21	Original
22	Original
23	Original
24	Original
25	Original
26	Original
27	Original
28	Original
29	Original
30	Original
31	Original

* New or Revised Sheet

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TARIFF FORMAT

A. Sheet Numbering: Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between pages 11 and 12 would be page 11.1.

B. Sheet Revision Numbers: Revision numbers also appear in the upper right corner of each sheet where applicable. These numbers are used to indicate the most current page version on file with the Commission. For example, 4th Revised Sheet 13 cancels 3rd Revised Sheet 13. Consult the Check Sheet for the sheets currently in effect.

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

2.
2.1
2.1.1
2.1.1.A
2.1.1.A.1
2.1.1.A.1.(a)
2.1.1.A.1.(a).I
2.1.1.A.1.(a).I.(i)
2.1.1.A.1.(a).I.(i).(1)

D. Check Sheets: When a tariff filing is made with the Commission, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists the sheets contained in the tariff, with a cross reference to the current Revision Number. When new sheets are added, the Check Sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this sheet if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some sheets). The tariff user should refer to the latest Check Sheet to find out if a particular sheet is the most current on Commission file.

SYMBOLS

The following are the only symbols used for the purposes indicated below:

(C) to signify change in regulation
(D) to signify a deletion
(I) to signify a rate increase
(L) to signify material relocated in the tariff
(N) to signify a new rate or regulation
(R) to signify a rate reduction
(T) to signify a change in text, but no change in rate or regulation

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

Access Line - An arrangement from a local exchange telephone company or other common carrier, using either dedicated or switched access, which connects a Customer's location to GLD's location or switching center.

Authorization Code - A numerical code, one or more of which may be assigned to a Customer, to enable GLD to identify the origin of the Customer so it may rate and bill the call. Automatic number identification (ANI) is used as the authorization code wherever possible.

Commission - Used throughout this tariff to mean the South Dakota Public Utilities Commission.

Customer - The person, firm, corporation or other legal entity which orders the services of GLD or purchases a GLD Prepaid Calling Card and/or originates prepaid calls using such cards, and is responsible for the payment of charges and for compliance with the Company's tariff regulations.

Company or GLD - Used throughout this tariff to mean GLD, Group Long Distance, Inc., a Florida corporation.

Prepaid Account - An inventory of Telecom Units purchased in advance by the Customer, and associated with one and only one Authorization Code as contained in a specific Prepaid Calling Card.

Prepaid Calling Card - A card issued by the Company, containing an Authorization Code which identifies a specific Prepaid Account of Telecom Units, which enables calls to be processed, account activity to be logged, and balances to be maintained, on a prepayment basis.

Telecom Unit - A measurement of telecommunications service equivalent to one minute of usage between any two points within the State of South Dakota.

Telecommunications - The transmission of voice communications or, subject to the transmission capabilities of the services, the transmission of data, facsimile, signaling, metering, or other similar communications.

Underlying Carrier - The telecommunications carrier whose network facilities provide the technical capability and capacity necessary for the transmission and reception of Customer telecommunications traffic.

SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of the Company

This tariff contains the regulations and rates applicable to intrastate resale telecommunications services provided by GLD for telecommunications between points within the State of South Dakota. Resale services are furnished subject to the availability of facilities and subject to the terms and conditions of this tariff in compliance with limitations set forth in the Commission' rules. The Company's services are provided on a statewide basis and are not intended to be limited geographically. The Company offers service to all those who desire to purchase service from the Company consistent with all of the provisions of this tariff. Customers interested in the Company's services shall file a service application with the Company which fully identifies the Customer, the services requested and other information requested by the Company. The Company reserves the right to examine the credit record and check the references of all applicants and Customers. The Company may examine the credit profile/record of any applicant prior to accepting the service order or a Customer's deposit, if required. The service application and the deposit shall not in themselves obligate the Company to provide services or to continue to provide service if a later check of applicant's credit record is, in the opinion of the Company, contrary to the best interest of the Company. If service is denied, Customer deposits, if required, will be returned immediately. The Company may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the Customer, to allow connection of a Customer's location to a service provided by the Company. The Customer shall be responsible for all charges due for such service arrangement. The Company does not own any switching, transmission or other physical facilities in South Dakota.

2.1.1 The services provided by GLD are not part of a joint undertaking with any other entity providing telecommunications channels, facilities, or services, but may involve the resale of the Message Toll Services (MTS) and Wide Area Telecommunications Services (WATS) of underlying common carriers subject to the jurisdiction of this Commission.

2.1.2 The rates and regulations contained in this tariff apply only to the resale services furnished by GLD and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other common carriers for use in accessing the services of GLD.

2.1.3 The Company reserves the right to limit the length of communications, to discontinue furnishing services, or limit the use of service necessitated by conditions beyond its control, including, without limitation: lack of satellite or other transmission medium capacity; the revision, alteration or repricing of the Underlying Carrier's tariffed offerings; or when the use of service becomes or is in violation of the law or the provisions of this tariff.

2.2 Use of Services

2.2.1 GLD's services may be used for any lawful purpose consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of services, subject to any limitations set forth in this Section 2.2.

2.2.2 The use of GLD's services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another or in such a way as to unreasonably interfere with use by others is prohibited.

2.2.3 The use of GLD's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, schemes, false or invalid numbers, or false calling or credit cards is prohibited.

2.2.4 GLD's services are available for use twenty-four hours per day, seven days per week.

2.2.5 GLD does not transmit messages, but the services may be used for that purpose.

2.2.6 GLD's services may be denied for nonpayment of charges or for other violations of this tariff.

2.2.7 Customers shall not use the service provided under this tariff for any unlawful purpose.

2.2.8 The Customer is responsible for notifying the Company immediately of any unauthorized use of services.

2.3 Liability of the Company

2.3.1 The Company shall not be liable for any claim, loss, expense or damage for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff, if caused by the Underlying Carrier, an act of God, fire, war, civil disturbance, act of government, or due to any other causes beyond the Company's control.

2.3.2 The Company shall not be liable for, and shall be fully indemnified and held harmless by the Customer against any claim, loss, expense, or damage for defamation, libel, slander, invasion, infringement of copyright or patent, unauthorized use of any trademark, trade name or service mark, proprietary or creative right, or any other injury to any person, property or entity arising out of the material, data or information transmitted.

2.3.3 No agent or employee of any other carrier or entity shall be deemed to be an agent or employee of the Company.

2.3.4 The Company's liability for damages, resulting in whole or in part from or arising in connection with the furnishing of service under this tariff, including but not limited to mistakes, omissions, interruptions, delays, errors, or other defects or misrepresentations shall not exceed an amount equal to the charges provided for under this tariff for the long distance call for the period during which the call was affected. No other liability in any event shall attach to the Company.

2.3.5 The Company shall not be liable for and shall be indemnified and saved harmless by any Customer or by any other entity from any and all loss, claims, demands, suits, or other action or any liability whatsoever, whether suffered, made, instituted, or asserted by any Customer or any other entity for any personal injury to, or death of, any person or persons, and for any loss, damage, defacement or destruction of the premises of any Customer or any other entity or any other property whether owned or controlled by the Customer or others.

2.3.6 The Company shall not be liable for any indirect, special, incidental, or consequential damages under this tariff including, but not limited to, loss of revenue or profits, for any reason whatsoever, including the breakdown of facilities associated with the service, or for any mistakes, omissions, delays, errors, or defects in transmission occurring during the course of furnishing service.

2.3.7 The remedies set forth herein are exclusive and in lieu of all other warranties and remedies, whether express, implied, or statutory, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

2.4 Responsibilities of the Customer

2.4.1 The Customer is responsible for placing any necessary orders and complying with tariff regulations. The Customer is also responsible for the payment of charges for services provided under this tariff.

2.4.2 The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by GLD on the Customer's behalf.

2.4.3 If required for the provision of GLD's services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to GLD.

2.4.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to GLD and the Customer when required for GLD personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of GLD's services.

2.4.5 The Customer shall cause the temperature and relative humidity in the equipment space provided by Customer for the installation of GLD's equipment to be maintained within the range normally provided for the operation of microcomputers.

2.4.6 The Customer shall ensure that the equipment and/or system is properly interfaced with GLD's facilities or services, that the signals emitted into GLD's network are of the proper mode, bandwidth, power and signal level for the intended use of the subscriber and in compliance with criteria set forth in this tariff, and that the signals do not damage equipment, injure personnel, or degrade service to other Customers. If the Federal Communications Commission or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with interstate communications service, GLD will permit such equipment to be connected with its channels without the use of protective interface devices. If the Customer fails to maintain the equipment and/or the system properly, with resulting imminent harm to GLD equipment, personnel or the quality of service to other Customers, GLD may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, GLD may, upon written notice, terminate the Customer's service.

2.4.7 The Customer must pay GLD for replacement or repair of damage to the equipment or facilities of GLD caused by negligence or willful act of the Customer or others, by improper use of the services, or by use of equipment provided by Customer or others.

2.4.8 The Customer must pay for the loss through theft of any GLD equipment installed at Customer's premises.

2.4.9 If GLD installs equipment at Customer's premises, the Customer shall be responsible for payment of any applicable installation charge.

2.4.10 The Customer must use the services offered in this tariff in a manner consistent with the terms of this tariff and the policies and regulations of all state, federal and local authorities having jurisdiction over the service.

2.5 Cancellation or Interruption of Services

2.5.1 Without incurring liability, upon five (5) working days' (defined as any day on which the company's business office is open and the U.S. Mail is delivered) written notice to the Customer, GLD may immediately discontinue services to a Customer or may withhold the provision of ordered or contracted services:

2.5.1.A For nonpayment of any sum due GLD for more than thirty (30) days after issuance of the bill for the amount due,

2.5.1.B For violation of any of the provisions of this tariff,

2.5.1.C For violation of any law, rule, regulation, policy of any governing authority having jurisdiction over GLD's services, or

2.5.1.D By reason of any order or decision of a court, public service commission or federal regulatory body or other governing authority prohibiting GLD from furnishing its services.

2.5.2 Without incurring liability, GLD may interrupt the provision of services at any time in order to perform tests and inspections to assure compliance with tariff regulations and the proper installation and operation of Customer and GLD's equipment and facilities and may continue such interruption until any items of noncompliance or improper equipment operation so identified are rectified.

2.5.3 Service may be discontinued by GLD without notice to the Customer, by blocking traffic to certain countries, cities or NXX exchanges, or by blocking calls using certain Customer authorization codes, when GLD deems it necessary to take such action to prevent unlawful use of its service. GLD will restore service as soon as it can be provided without undue risk, and will, upon request by the Customer affected, assign a new authorization code to replace the one that has been deactivated.

2.5.4 The Customer may terminate service upon thirty (30) days written notice for the Company's standard month to month contract. Customer will be liable for all usage on any of the Company's service offerings until the Customer actually leaves the service. Customers will continue to have Company usage until the Customer notifies its local exchange carrier and changes its long distance carrier. Until the Customer so notifies its local exchange carrier, it shall continue to generate and be responsible for long distance usage.

2.6 Credit Allowance

2.6.1 Credit allowance for the interruption of service which is not due to the Company's testing or adjusting, negligence of the Customer, or to the failure of channels or equipment provided by the Customer, are subject to the general liability provisions set forth in 2.3 herein. It shall be the obligation of the Customer to notify the Company immediately of any interruption in service for which a credit allowance is desired. Before giving such notice, the Customer shall ascertain that the trouble is not being caused by any action or omission by the Customer within his control, or is not in wiring or equipment, if any, furnished by the Customer and connected to the Company's facilities.

2.6.2 No credit is allowed in the event that service must be interrupted in order to provide routine service quality or related investigations.

2.6.3 Credit for failure of service shall be allowed only when such failure is caused by or occurs due to causes within the control of the Company or in the event that the Company is entitled to a credit for the failure of the facilities of the Company's Underlying Carrier used to furnish service.

2.6.4 Credit for interruption shall commence after the Customer notifies the Company of the interruption or when the Company becomes aware thereof, and ceases when service has been restored.

2.6.5 For purposes of credit computation, every month shall be considered to have 720 hours.

2.6.6 No credit shall be allowed for an interruption of a continuous duration of less than two hours.

2.6.7 The Customer shall be credited for an interruption of two hours or more at the rate of 1/720th of the monthly charge for the facilities affected for each hour or major fraction thereof that the interruption continues.

Credit Formula:

$$\text{Credit} = \frac{A}{720} \times B$$

"A" - outage time in hours
"B" - monthly charge for affected activity

2.7 Restoration of Service

The use and restoration of service shall be in accordance with the priority system specified in part 64, Subpart D of the Rules and Regulations of the Federal Communications Commission.

2.8 Deposit

The Company reserves the right to examine the credit record of all service applicants and may require a deposit when determined to be necessary to assure future payment.

2.9 Advance Payments

GLD reserves the right to collect an advance payment from Customers in an amount not to exceed one (1) month's estimated charges as an advance payment for service. This will be applied against the next month's charges, and if necessary, a new advance payment will be collected for the next month.

2.10 **Payment and Billing**

2.10.1 Service is provided and billed on a billing cycle basis, beginning on the date that service becomes effective. Billing is payable upon receipt. Interest at the rate of 1.5% per billing cycle, or the amount otherwise authorized by law, whichever is lower, will accrue upon any unpaid amount commencing 30 days after rendition of bills.

2.10.2 The customer is responsible for payment of all charges for services furnished to the Customer, as well as to all persons using the Customer's codes, exchange lines, facilities, or equipment, with or without the knowledge or consent of the Customer. The security of the Customer's Authorization Codes, presubscribed exchange lines, and direct connect facilities is the responsibility of the Customer. All calls placed using direct connect facilities, presubscribed exchange lines, or Authorization Codes will be billed to and must be paid by the Customer. Recurring charges and non-recurring charges are billed in advance. The initial billing may, at Company's option, also include one month's estimated usage billed in advance. Thereafter, charges based on actual usage during a month and any accrued interest will be billed monthly in arrears.

2.10.3 All bills are presumed accurate, and shall be binding on the customer unless objection is received by the Company in writing within 30 days after such bills are rendered. No credits, refunds, or adjustments shall be granted if demand therefore is not received by the Company in writing within such 30 day period.

2.11 Collection Costs

In the event Company is required to initiate legal proceedings to collect any amounts due to Company for regulated or non-regulated services, equipment or facilities, or to enforce any judgment obtained against a Customer, or for the enforcement of any other provision of this tariff or applicable law, Customer shall, in addition to all amounts due, be liable to Company for all reasonable costs incurred by Company in such proceedings and enforcement actions, including reasonable attorneys' fees, collection agency fees or payments, and court costs. In any such proceeding, the amount of collection costs, including attorneys' fees, due to the Company, will be determined by the court.

2.12 Taxes

All federal, state and local taxes, assessments, surcharges, or fees, including sales taxes, use taxes, gross receipts taxes, and municipal utilities taxes, are billed as separate line items and are not included in the rates quoted herein, except as described for prepaid calling card service.

2.13 Late Charge

A late fee of 1.5% monthly or the amount otherwise authorized by law, whichever is lower, will be charged on any past due balances.

2.14 Returned Check Charge

A fee of $20.00 will be charged whenever a check or draft presented for payment for service is not accepted by the institution on which it is written.

SECTION 3 - DESCRIPTION OF SERVICE

3.1 Computation of Charges

3.1.1 The total charge for each completed call may be a variable measured charge dependent on the duration, distance and time of day of the call. The total charge for each completed call may also be dependent only on the duration of the call, i.e. a statewide flat rate per minute charge. The variable measured charge is specified as a rate per minute which is applied to each minute. 1+ Dialing and 800 Service calls are measured in six second increments, with a thirty second minimum per call. Travel Cards and Prepaid Calling Cards are measured in one minute increments. All calls are rounded up to the next whole increment.

3.1.2 Where mileage bands appear in a rate table, rates for all calls are based upon the airline distance between the originating and terminating points of the call, as determined by the vertical and horizontal coordinates associated with the exchange (the area code and three digit central office code) associated with the originating and terminating telephone numbers. If the Customer obtains access to the Company's network by a dedicated access circuit, that circuit will be assigned an exchange for rating purposes based upon the Customer's main telephone number at the location where the dedicated access circuit terminates. The vertical and horizontal (V & H) coordinates for each exchange and the airline distance between them will be determined according to industry standards.

3.1.3 Timing begins when the called station is answered and two way communication is possible, as determined by standard industry methods generally in use for ascertaining answer, including hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. Recognition of answer supervision is the responsibility of the Underlying Carrier. Timing for each call ends when either party hangs up. GLD will not bill for uncompleted calls.

3.2 Customer Complaints and/or Billing Disputes

Customer inquiries or complaints regarding service or accounting may be made in writing or by telephone to the Company at:

1451 West Cypress Creek Road, Suite 200
Fort Lauderdale, Florida 33309
(800) 521-5422

Any objection to billed charges should be reported promptly to GLD. Adjustments to Customers' bills shall be made to the extent that records are available and/or circumstances exist which reasonably indicate that such charges are not in accordance with approved rates or that an adjustment may otherwise be appropriate. Where overbilling of a subscriber occurs, due either to Company or subscriber error, no liability exists which will require the Company to pay any interest, dividend or other compensation on the amount overbilled.

The Company will respond within seventy two (72) hours of receipt of an inquiry. If the Customer is dissatisfied with the Company's response to a complaint or inquiry, the Customer may file the Commission for resolution of the conflict. The South Dakota Public Utilities Commission can be reached at:

500 East Capitol
Pierre, SD 57501-5070
(605) 773-3201
(800) 332-1782

If a Customer accumulates more than One Hundred Dollars ($100.00) of undisputed delinquent GLD 800 Service charges, the GLD Resp. Org. reserves the right not to honor that Customer's request for a Resp. Org. change until such undisputed charges are paid in full.

3.3 **Level of Service**

A Customer can expect end to end network availability of not less than 99% at all times for all services.

3.4 **Billing Entity Conditions**

When billing functions on behalf of GLD or its intermediary are performed by local exchange telephone companies or others, the payment of charge conditions and regulations of such companies and any regulations imposed upon these companies by regulatory bodies having jurisdiction apply. GLD's name and toll-free telephone number will appear on the Customer's bill.

3.5 Service Offerings

3.5.1 1+ Dialing

The customer utilizes "1+" dialing, or "10XXX" dialing followed by "1 + ten digits" for interLATA calls, or dials "10XXX" followed by "1 + 7 digits" or "1 + 10 digits" for intraLATA calls.

3.5.2 Travel Cards.

The Customer utilizes an 11 digit "800" access number established by GLD to access a terminal. Upon receiving a second dialtone, the Customer uses push button dialing to enter an identification code assigned by the Company, followed by the ten digit number of the called party.

3.5.3 800 Service (Toll free).

This service is a direct access, incoming only, usage sensitive WATS offering requiring a dedicated access line for use. This is a service whereby a Customer can be billed at reduced rates for calls to his premises.

3.5.4 GLD Prepaid Calling Cards.

This service permits use of GLD Prepaid Calling Cards for placing long distance calls. Customers may purchase GLD Prepaid Calling Cards at a variety of retail outlets or through other distribution channels. GLD Prepaid Calling Cards are available at a variety of face values ranging from five dollars ($5.00), in one dollar ($1.00) increments. GLD Prepaid Calling Card service is accessed using the GLD toll-free number printed on the card. The caller is prompted by an automated voice response system to enter his/her Authorization Code, and then to enter the terminating telephone number. GLD's processor tracks the call duration on a real time basis to determine the number of Telecom Units consumed. The total consumed Telecom Units for each call, which includes applicable taxes, is deducted from the remaining Telecom Unit balance on the Customer's GLD Prepaid Calling Card.

All calls must be charged against an GLD Prepaid Calling Card that has a sufficient Telecom Unit balance. A Customer's call will be interrupted with an announcement when the balance is about to be depleted. Such announcement will occur when five (5) minutes and when one (1) minute remain before the balance will be depleted, based upon the terminating location of the call.

In order to continue the call, the Customer can either call the toll-free number on the back of the GLD Prepaid Calling Card and "recharge" the balance on the card using a nationally recognized credit card, or the Customer can throw the card away and purchase a new one. Calls in progress will be terminated by the Company if the balance on the GLD Prepaid Calling Card is insufficient to continue the call and the Customer fails to enter the number of another valid GLD Prepaid Calling Card prior to termination.

A card will expire 12 months from the date of purchase, or the date of last recharge, whichever is later.

A credit allowance for GLD Prepaid Calling Card Service is applicable to calls that are interrupted due to poor transmission, one-way transmission, or involuntary disconnection of a call. A Customer may also be granted credit for reaching a wrong number. To receive the proper credit, the Customer must notify the Company at the designated toll-free customer service number printed on the GLD Prepaid Calling Card and furnish the called number, the trouble experienced (e.g. cut-off, noisy circuit, reached wrong number, etc.), and the approximate time that the call was placed.

When a call charged to an GLD Prepaid Calling Card is interrupted due to cut-off, one-way transmission, or poor transmission conditions, the Customer will receive a credit equivalent of one Telecom Unit.

Credit allowances for calls pursuant to GLD Prepaid Card Service do not apply for interruptions not reported promptly to the Company or interruptions that are due to the failure of power, equipment or systems not provided by the Company.

Credit for failure of service shall be allowed only when such failure is caused by or occurs due to causes within the control of the Company.

The Company will block all calls beginning with the NPA "900" and NXX "976" calls, therefore such calls can not be completed.

3.5.5 Local Calls and Directory Assistance.

Local calls will not be accepted or completed. GLD does not provide local directory assistance. Access to long distance directory assistance is obtained by dialing 1 + 555-1212 for listings within the originating area code and 1 + (area code) + 555-1212 for other listings. When more than one number is requested in a single call, a charge may apply for each number requested. A charge will be applicable for each number requested, whether or not the number is listed or published.

3.5.6 Specialized Pricing Arrangements.

Customized service packages and competitive pricing packages at negotiated rates may be furnished on a case-by-case basis in response to requests by Customers to the Company for proposals or for competitive bids. Service offered under this tariff provision will be provided to Customers pursuant to contract. Unless otherwise specified, the regulations for such arrangements are in addition to the applicable regulations and prices in other sections of the tariff. Specialized rates or charges will be made available to similarly situated Customers on a non-discriminatory basis.

3.5.7 Emergency Call Handling Procedures

Emergency "911" calls are not routed to company, but are completed through the local network at no charge.

3.5.8 Promotional Offerings

The Company may, from time to time, make promotional offerings to enhance the marketing of its services. These offerings may be limited to certain dates, times and locations. The Company will notify the Commission of such offerings as required by Commission rules and regulations.

SECTION 4 - RATES

4.1 1 + Dialing

GLD will charge a flat rate per minute with no time of day discounts and without regard to mileage for calls originating and terminating in South Dakota as follows:

$0.161

4.2 Travel Cards

GLD will charge a flat rate per minute with no time of day discounts and without regard to mileage for calls originating and terminating in South Dakota as follows

$0.25

4.3 800 Service

GLD will charge a flat rate per minute with no time of day discounts and without regard to mileage for calls originating and terminating in South Dakota as follows:

$0.161

4.4 Prepaid Calling Cards

GLD Prepaid Calling Cards are available in various Telecom Unit denominations. Prepaid Calling Cards may be recharged in $1 increments (min. $5). Prices are inclusive of all taxes.

Price Per Telecom Unit

$.45

Cards will be decremented by one Telecom Unit for each minute or fractional part of a minute for intrastate calls. These rates apply twenty-four hours per day, seven days per week.

4.5 Rate Periods

Day: 8 a.m. - 5 p.m.*, Monday - Friday

Evening: 5 p.m. - 11 p.m.*, Sunday - Friday

Night/ Weekend: 11 p.m. - 8 a.m.*, Sunday - Friday & All Day Saturday

* To, but not including

When a message spans more than one rate period, total charges for the minutes in each rate period are calculated and the results for each rate period are totaled to obtain the total message charge. If the calculation results in a fractional charge, the amount will be rounded down to the lower cent.

4.6 Directory Assistance Charges

A charge per number requested will be $.75

4.7 Returned Check Charge

$20.00

11554

GROUP LONG DISTANCE, INC.
1451 W. CYPRESS CREEK RD., SUITE 200
FORT LAUDERDALE, FL 33309

April 3 19 97

PAY TO THE ORDER OF SD Public Utilities Comm. $ 250.00

Two Hundred Fifty + 00/100 DOLLARS

GATEWAY AMERICAN BANK OF FLORIDA
1451 N.W. 62nd Street Suite 212
Ft. Lauderdale, Florida 33309

FOR Filing Fees PD

⑈011554⑈ ⑆067013069⑆ 01 111094701

South Dakota
Public Utilities Commission
State Capitol 500 E. Capitol
Pierre, SD 57501-5070
Phone: (800) 332-1782
Fax: (605) 773-3809

TELECOMMUNICATIONS SERVICE FILINGS

These are the telecommunications service filings that the Commission has received for the period of:

05/02/97 through 05/08/97

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five days of this filing.

DOCKET NUMBER	TITLE/STAFF/SYNOPSIS	DATE FILED	INTERVENTION DEADLINE
	ORDER OPENING INVESTIGATION DOCKET		
TC97-050	All certified long distance resellers are not required to obtain a Primary Interstate Carrier (PIC) number with which to identify them as a customer's long distance carrier. The Public Utilities Commission (Commission) has fielded a number of concerns regarding the difficulties local exchange carriers and customers are experiencing when trying to identify a customer's long distance carrier. Commission Staff has also encountered difficulties when attempting to obtain such information. The Commission has opened this docket to investigate the practice of long distance resellers operating within the state of South Dakota without an identifying PIC number. (Staff: LH/KC)	Opened 05/02/97	05/23/97
	REQUEST FOR CERTIFICATE OF AUTHORITY		
TC97-051	Application by GLD, Group Long Distance, Inc. for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: TS/CH) "Applicant is a switchless reseller which intends to offer 1+ direct dialing, 800 toll free, travel card, and prepaid calling card service through the resale of telephone services provided by facilities-based interexchange carriers."	05/06/97	05/23/97
	FILING OF INFORMATIONAL INTRASTATE PAYPHONE TARIFFS		
NA	Golden West Telecommunications Cooperative, Inc. on May 8, 1997; Vivian Telephone Company d/b/a Golden West Communications, Inc. on May 8, 1997; Splitrock Properties, Inc. on May 8, 1997; RC Communications, Inc. on May 8, 1997, and Roberts County Telephone Cooperative Association on May 8, 1997.	NA	NA

Important Notice: The Commission is compiling a list of internet addresses. If you have an internet address please notify the Commission by: E-mailing it to Terry Norum at: terryn@puc.state.sd.us. Faxing the address to the Commission at: 605-773-3809

State of South Dakota

OFFICE OF THE SECRETARY OF STATE

CERTIFICATE OF AUTHORITY

I, JOYCE HAZELTINE, Secretary of State of the State of South Dakota, hereby certify that the Application for a Certificate of Authority of GLD, GROUP LONG DISTANCE, INC. (FL) to transact business in this state duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I hereby issue this Certificate of Authority and attach hereto a duplicate of the application to transact business in this state under the name of GLD, GROUP LONG DISTANCE, INC.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this May [illegible], 1997.

Joyce Hazeltine

JOYCE HAZELTINE
Secretary of State

LANCE J.M. STEINHART
Attorney at Law
6455 East Johns Crossing
Suite 285
Duluth, Georgia 30155

Telephone: (770) [illegible]
Facsimile (770) [illegible]

THIS MESSAGE IS INTENDED FOR THE USE OF THE INDIVIDUAL OR ENTITY TO WHICH IT IS ADDRESSED AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, CONFIDENTIAL AND EXEMPT FROM DISCLOSURE UNDER APPLICABLE LAW. IF THE RECIPIENT OF THIS MESSAGE IS NOT THE INTENDED RECIPIENT, YOU ARE HEREBY NOTIFIED THAT ANY DISSEMINATION, DISTRIBUTION OR COPYING OF THIS COMMUNICATION IS STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS COMMUNICATION IN ERROR, PLEASE NOTIFY US IMMEDIATELY BY TELEPHONE, AND RETURN THE ORIGINAL MESSAGE TO US AT THE ABOVE ADDRESS VIA THE U.S. POSTAL SERVICE. THANK YOU.

NAME:	Tammi [illegible]
FIRM:	South Dakota Public Service Commission
TELEPHONE:	605-773-3201
FAX NUMBER:	605-773-3809
FROM:	Lance J.M. Steinhart
DATE:	June 17, 1997

TOTAL NUMBER OF PAGES INCLUDING THIS COVER LETTER: 4

MESSAGE: Tammi, following is GLD, Group Long Distance, Inc.'s Certificate of Authority from the Secretary of State. Please call if you need a hard copy. Thank you.

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF GLD, GROUP LONG DISTANCE, INC. FOR A CERTIFICATE OF AUTHORITY TO PROVIDE TELECOMMUNICATIONS SERVICES IN SOUTH DAKOTA	)	**ORDER GRANTING CERTIFICATE OF AUTHORITY** **TC97-051**

On May 6, 1997, the Public Utilities Commission (Commission), in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, received an application for a certificate of authority from GLD, Group Long Distance, Inc. (GLD).

GLD is a switchless reseller requesting authority to offer 1+ direct dialing, 800 toll free, travel card, and prepaid calling card service through the resale of telephone services provided by facilities-based interexchange carriers. A proposed tariff was filed by GLD. The Commission has classified long distance service as fully competitive.

On May 8, 1997, the Commission electronically transmitted notice of the filing and the intervention deadline of May 23, 1997, to interested individuals and entities. No petitions to intervene or comments were filed and at its regularly scheduled July 15, 1997, meeting, the Commission considered GLD's request for a certificate of authority. Commission Staff recommended granting a certificate of authority, subject to the condition that GLD not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission.

The Commission finds that it has jurisdiction over this matter pursuant to Chapter 49-31, specifically 49-31-3 and ARSD 20:10:24:02 and 20:10:24:03. The Commission finds that GLD has met the legal requirements established for the granting of a certificate of authority. GLD has, in accordance with SDCL 49-31-3, demonstrated sufficient technical, financial and managerial capabilities to offer telecommunications services in South Dakota. The Commission approves GLD's application for a certificate of authority, subject to the condition that GLD not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission. As the Commission's final decision in this matter, it is therefore

ORDERED, that GLD's application for a certificate of authority is hereby granted, subject to the condition that GLD not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission. It is

FURTHER ORDERED, that GLD shall file informational copies of tariff changes with the Commission as the changes occur.

Dated at Pierre, South Dakota, this 29th day of July, 1997.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By Delaine Kolbo

Date 7/29/97

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg

JAMES A. BURG, Chairman

Pam Nelson

PAM NELSON, Commissioner

Laska Schoenfelder

LASKA SCHOENFELDER, Commissioner

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

CERTIFICATE OF AUTHORITY

To Conduct Business As A Telecommunications Company
Within The State Of South Dakota

Authority was Granted July 15, 1997
Docket No. TC97-051

This is to certify that

GLD, GROUP LONG DISTANCE, INC.

is authorized to provide telecommunications services in South Dakota.

This certificate is issued in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, and is subject to all of the conditions and limitations contained in the rules and statutes governing its conduct of offering telecommunications services.

Dated at Pierre, South Dakota, this 29th day of July, 1997

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner