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918-699-2900
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RÍO PÁNUCO NO. 7
COL. CUAUHTÉMOC
06500 MÉXICO, D. F.
011 (525) 546-8023

1601 ELM STREET
DALLAS, TEXAS 75201-4761
214-999-3000
TELECOPIER 214-999-4667
WRITER'S DIRECT DIAL NUMBER
214-999-4854

June 24, 1998

T-03583A-98-0349

VIA FEDERAL EXPRESS

Docket Control Center
Arizona Corporations Commission
1200 West Washington Street
Phoenix, AZ 85007-2927

Re: Application of Preferred Carrier Services, Inc. for Certificate of Convenience and Necessity to Provide Local Exchange Services

Dear Arizona Corporations Commission:

Preferred Carrier Services, Inc. hereby submits the enclosed Application, seeking authority to provide local exchange service within the State of Arizona. An original and eleven (11) copies of the Application are provided. Please date-stamp the extra copy and return it in the enclosed postage-paid envelope to the undersigned.

Should there be any questions or additional information required, please do not hesitate to contact me. Thank you.

Sincerely,

Emily S. Barbou
Emily S. Barbou

*BAREMO
GARDERE.COM*

Enclosures
ESB/nsb

c: Roberto Sidi (w/o enc.)
Jeff Walker (w/enc.)
Phones For All, Inc.

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DOCUMENTS ARE SUBJECT TO
REVIEW BEFORE ACCEPTANCE
AS A DOCKETED ITEM.

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3

NEW APPLICATION

Application and Petition for Certificate of Convenience and Necessity to Provide
Local Exchange Services as a Reseller

Mail original plus 10 copies of completed application to: ~~Arizona Corporation Commission~~ For Docket Control Only:

DOCKETED (Please Stamp Here)

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927

JUN 29 1998

DOCKETED BY *Jmk*

If you have current applications pending in Arizona as
an Interexchange reseller, AOS provider, or as the
provider of other telecommunication services.

Type of Service: IXC Reseller
Docket No.: U-3248-96-453 Date: 8/15/96

Docket No. F03583A-98-0349

Type of Service: _____
Docket No.: _____ Date: _____

Docket No. _____

A. Company and Telecommunications Service Information

(A-1) The name, address, and telephone number (including area code) of the applicant(company):

/ Preferred Carrier Services, Inc.
14681 Midway Road, Suite 105
Dallas, Texas 75244
(972) 503-3388

(A-2) If doing business (dba) under a name other than the applicant (company) name listed above, specify:

Phones For All
Teléfonos Para Todos

(A-3) The name, address, telephone number(including area code), and facsimile number of the management contact:

Jeffrey J. Walker, Esq.
General Counsel
Preferred Carrier Services, Inc.
14681 Midway Road, Suite 105
Dallas, Texas 75244
Tel: (972) 503-3388
Fax: (972) 503 3385

(A-4) The name, address, and telephone of the Attorney, if any, representing the applicant:

Emily S. Barbour
Gardere & Wynne, L.L.P.
1601 Elm St., Suite 3000
Dallas, Texas 75201-4761
(214) 999-4854

(A-5) What type of legal entity is the applicant?

- Sole proprietorship
- 0 Partnership: ___ limited, ___ general, ___ Arizona, ___ Foreign
- Limited liability company
- Corporation: ___ "S", X "C", ___ non-profit, ___ Arizona, X Foreign
- Other, specify:

(A-6) Include "Attachment A." Attachment A must list names of all owners, partners, limited liability company managers, or corporation officers and directors (specify), and indicate percentages of ownership.

See Attachment A

(A-8) Include "Attachment B." Attachment B, your proposed tariff, must include proposed rates and charges for each service to be provided, state the tariff (maximum) rate as well as the price to be charged, and state other terms and conditions, including deposits, that will apply to provision of the service(s) by your company.

See Attachment B

The Commission provides pricing flexibility by allowing competitive telecommunications service companies to price their services at levels equal to or below the tariff (maximum) rates. The prices to be charged by the company are filed with the Commission in the form of price lists. See the "illustrative Tariff/Price List Example" attached. Note: Price list rate changes that result in rates that are lower than the tariff rate are effective upon concurrent notice to the Commission (See Rule R14-2-1109(B)(2)). See Rule R14-2-1111111111110 for procedures to make price list changes that result in rates that are higher than the tariff rate.

(A-9) The geographic market to be served is:

- statewide.
- other, describe and provide a map depicting the area.

(A-10) List the states in which you currently resell services similar to those you intend to resell in Arizona.

California, Florida, North Carolina, and Texas

(A-11) Include attachment C. Attachment C is a copy of the resale agreement or contract between your company and an applicable local exchange service provider.

See Attachment C

(A-12) Provide the name, address, and telephone number of the company's complaint contact person.

Felix Montes
Preferred Carrier Services, Inc.
14681 Midway Road, Suite 105
Dallas, Texas 75244
(800) 477-1992

(A-13) Provide a list of states in which you have sought authority to resell telecommunications services and in which the state granted the authority with major changes and conditions or did not grant your application for those service. For each state listed, provide a copy of the commissions decision modifying or denying your application for authority to provide telecommunications services.

Preferred Carrier Services, Inc. ("PCS") is authorized to provide interexchange service in 49 states and authorized to provide local exchange service in 29 states. No state has modified or denied PCS' application for authority to provide telecommunications services.

(A-14) Has the company been granted authority to provide or resell telecommunications services in any state where subsequently the authority was revoked? If "yes", provide copies of the state regulatory commission's decision revoking its authority.

No. No state has ever revoked PCS' authority to resell telecommunications services.

(A-15) Has the company been or is the company currently involved in any formal complaint proceedings before any state or federal regulatory commission? If "yes", in which states is the company involved in proceedings and what is the substance of these complaints. Also, provide copies of commission orders that have resolved any of these complaints

Under its former ownership and management, PCS received complaints for having changed customers' long distance carrier without their consent in the states of Florida and New York. For details and resolution of the proceedings, see Attachment F.

(A-16) Has the applicant been involved in any civil or criminal investigations related to the delivery of telecommunications services within the last five years? If "yes", in which states has the applicant been involved in investigations and why is the applicant being investigated?

No. PCS has never been involved in any civil nor criminal investigations related to the delivery of telecommunications services.

(A-17) Has the applicant had judgment entered against it in any civil matter or been convicted of criminal acts related to the delivery of telecommunications services within the last five years? If yes, list the states where judgment or conviction was entered and provide a copy of the court order.

No. PCS has never had judgment entered against it in any civil matter nor been convicted of criminal acts related to the delivery of telecommunications services.

B. Technical Information

(B-1) If your company is a non-facilities based reseller (you do not own your own facilities), provide the name of the company or companies whose services you resell and skip to question (B-2). If you are a facilities based reseller, complete the remainder of this section.

Include "Attachment D." Attachment D should provide the following information: A diagram of the applicant's network. this diagram should show how applicant's customer's are connected to this network and how the net work is interconnected to other carriers networks.

If other carriers facilities are used in conjunction with your own facilities to provide basic exchange service, indicate who owns the facilities that are used (i.e. provide a list of the facilities-based local exchange carriers whose facilities are used to serve the applicant's customers).

PCS is a non-facilities based reseller. PCS resells the local exchange services of Southwestern Bell, BellSouth, Sprint/United, GTE, Pacific Bell, IXC Communications, and USLD.

(B-2) Explain what actions the applicant has taken to ensure that basic exchange service to applicant's customers will not be interrupted in the event the applicant ceases to do business.
In some states, PCS' agreement with its underlying carrier provides that the underlying carrier will continue to service PCS' customers if PCS ceases to do business by defaulting in its obligation to the underlying carrier.

(B-3) What contracted arrangements has the applicant made for the provision of all and equal services?

PCS intends to comply with the applicable rules promulgated by the Commission for the Arizona Universal Service Fund.

Include "Attachment E", Attachment E should provide copies of the following audited financial information for the most recent two years for all Arizona operations. Check boxes indicating items attached.

- current intrastate balance sheet
- current intrastate income statement
- current intrastate cash flow statement
- other financial information evidencing financial resources.

PCS is not filing an Attachment E (Financial Statements for Arizona Operations) since it was not formed for the purposes of offering telecommunications services in Arizona only. However, PCS', and its parent, Phones For All, Inc.'s ("PFA"), financial statements for the last two years are provided in Attachment D.

Financial Review Questions For LEC'S

(C-1) Include "Attachment D". Attachment D must include a copy of your Company's balance sheet, income statement, audit report (if audited) and all related notes to these financial statements for the two most recent years your Company has been in business. See Attachment D.

(C-2) If your Company does not have financial statements for the two most recent years, please give the date your Company began operations.

n/a

(C-3) If the balance sheets you submit do not have retained earnings accounts, please provide this account information on a separate sheet for each of the two years.

n/a

(C-4) If your Company is a subsidiary, please provide your Parent Company's financial statements, in addition to your Company's financial statements.

PCS is a wholly-owned subsidiary of Phones For All, Inc. ("PFA"), a Delaware corporation. PFA's financial statements are provided in Attachment D.

(C-5) If your Company intends to rely on the financial resources of its Parent Company, please provide a written statement from your Parent Company attesting that it will provide complete financial backing if your Company experiences a net loss or a business failure and that it will guarantee re-payment of customers; advances, prepayments or deposits held by your Company if, for some reason, your Company cannot provide service or repay the deposits.

See Attachment G.

(C-6) Will your customers be required to (or have the option to) pay advances, prepayments, or deposits for any of your products or services.

YES (If yes, provide an explanation of how and when these customer advances prepayments or deposits will be applied or reference the terms and conditions section of your Company's tariffs with this explanation. If this information is not explained in the tariff of this application, please provide it on a separate sheet.)

PCS will charge its customers at the beginning of the month for flat rate service and in arrears for measured and usage based services.

NO (Note: If at a later date, your Company decides it wants to offer or require customer advances, prepayments or deposits, it must submit financial statements as part of the tariff amendment process.)

I certify that if the applicant is an Arizona corporation, a current copy of the Articles of Incorporation is on file with the Arizona Corporation Commission and the applicant holds a Certificate of Good Standing from the Commission. If the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. I certify that all appropriate city, county and/or State agency approvals have been obtained. Upon signing of this application, I attest that I have read the Commission's rules and regulations relating to the regulations of telecommunications services and that the company will abide by Arizona State Law including the Arizona Corporation Commission Rules and Regulations. I agree that the

Commission's rules apply in the event there is a conflict between those rules and the company's tariff, unless otherwise ordered by the Commission. I certify that to the best of my knowledge the information provided in this Application and Petition is true and correct.

[Signature]
(Signature of Authorized Representative)

06/24/98
(Date)

ROBERTO SIDI
(Print Name of Authorized Representative)

PRESIDENT
(Title)

SUBSCRIBED AND SWORN to before me this 24th day of JUNE, 1998

[Signature]
NOTARY PUBLIC

My Commission Expires 8-10-99



PREFERRED CARRIER SERVICES, INC.
CORPORATE OFFICERS AND DIRECTORS
ATTACHMENT A

President

Roberto Sidi

Secretary/Treasurer

Alan Smith

Director

Roberto Sidi

All of the issued and outstanding stock of Preferred Carrier Services, Inc. is owned 100% by Phones For All, Inc., a Delaware corporation.

PREFERRED CARRIER SERVICES, INC.

TARIFF

ATTACHMENT B

ARIZONA LOCAL EXCHANGE TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of services for telecommunications services provided by Preferred Carrier Services, Inc., with its principal office at 14681 Midway Road, Suite 105, Dallas, Texas 75244. This tariff applies for services furnished within the State of Arizona. This tariff is on file with the Arizona Corporation Commission (ACC), and copies may be inspected, during normal business hours, at the Company's principal place of business.

Issued: June 15, 1998

Effective: _____

Issued by: Alan Smith
Preferred Carrier Services, Inc.
14681 Midway Road, Suite 105
Dallas, Texas 75244

CHECK SHEET

Sheets 1 through 26 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.

<u>SHEET</u>	<u>REVISION</u>	<u>SHEET</u>	<u>REVISION</u>
1	Original	14	Original
2	Original	15	Original
3	Original	16	Original
4	Original	17	Original
5	Original	18	Original
6	Original	19	Original
7	Original	20	Original
8	Original	21	Original
9	Original	22	Original
10	Original	23	Original
11	Original	24	Original
12	Original	25	Original
13	Original	26	Original

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Preferred Carrier Services, Inc.
14681 Midway Road, Suite 105
Dallas, Texas 75244

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14681 Midway Road, Suite 105
Dallas, Texas 75244

EXPLANATION OF SYMBOLS

- D - Delete or Discontinue
- I - Change Resulting In An Increase to A Customer's Bill
- M - Moved From Another Tariff Location
- N - New
- R - Change Resulting In A Reduction to A Customer's Bill
- T - Change In Text or Regulation But No Change In Rate or Charge

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14681 Midway Road, Suite 105
Dallas, Texas 75244

TARIFF FORMAT SHEETS

- A. Sheet Numbering - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.
- B. Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet revision on file with the ACC. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the ACC follows in their tariff approval process, the most current sheet number on file with the Commission is not always the tariff page in effect. Consult the Check Sheet for the sheet currently in effect.
- C. Paragraph Numbering Sequence - There are eight 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).
- D. Check Sheets - When a tariff filing is made with the ACC, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this page if there are only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some pages). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the ACC.

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Preferred Carrier Services, Inc.
14681 Midway Road, Suite 105
Dallas, Texas 75244

EXCHANGE SERVICE LIST AND SERVICE AREAS

Preferred Carrier Services, Inc. plans to resell local exchange service for the same exchanges served by the incumbent local exchange carriers US West and GTE. US West and GTE have maps on file with the Arizona Corporation Commission which indicate their respective service area boundaries.

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Effective: _____

Issued by: Alan Smith
Preferred Carrier Services, Inc.
14681 Midway Road, Suite 105
Dallas, Texas 75244

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

Access Line- An arrangement which connects the customer's location to an intraexchange switching center.

Authorized User - A user who is a customer, or a person authorized by a customer that uses the Company's Services. An Authorized User is responsible for compliance with this tariff.

Basic Service - See Local Service

Billed Party - The person or entity responsible for payment for use of the Company 's Service(s).

Central Office - A Local Exchange Carrier switching system where Local Exchange Carrier customer station loops are terminated for purposes of interconnection to each other and to trunks.

Channel - A path for electrical transmission between two or more points, the path having a band width designed to carry voice grade transmission.

Common Carrier - A company or entity providing telecommunications services to the public.

Company - Preferred Carrier Services, Inc.

Credit Card Calls (Calling Card Calls) - A Direct Dialed or Operator Assisted call for which charges are billed not to the originating telephone number, but to a credit card, such as Visa or Master Card, or to a LEC or intraexchange carrier calling card, including calling cards issued by the Company.

Customer - Any person, firm, partnership, association, joint stock company, trust, corporation, governmental entity or any other entity which orders service, that is responsible for payment of charges and for compliance with Company's tariff regulations.

Day - From 8:00 AM up to but not including 5:00 PM local time Sunday through Friday.

Evening - From 5:00 PM up to but not including 11:00 PM local time Sunday through Friday.

Exchange - A geographic area established by the tariff of Local Exchange Carriers for the administration of communications service in a specified area that usually embraces a city, town or village and its environs. It consists of one or more Central Offices together with the associated facilities used in furnishing communications service within that area.

FCC - The Federal Communication Commission.

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Issued by: Alan Smith
Preferred Carrier Services, Inc.
14681 Midway Road, Suite 105
Dallas, Texas 75244

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS (Continued)

Local Exchange Carrier (LEC) - A telephone company utility which provides local telecommunications services to a specific geographical area for business and residential customers.

Local Service- The furnishing of Direct Dialed State of Arizona services to the Customer for the completion of local voice and/or dial-up data transmissions over voice grade channel(s) between one or more stations within an exchange in the State of Arizona, as specified in this tariff.

Night/Weekend - From 11:00 PM up to but not including 8:00 AM Sunday through Friday, and 8:00 AM Saturday up to but not including 5:00 PM Sunday.

Non Basic Local Service - Additional services offered by incumbent LECs which pertain to local exchange service which may be utilized, the cost of which is not included in charges paid by customers for Basic Local Service. (i.e., call waiting, call forwarding, three way calling, etc.).

Other Common Carrier - A common carrier, other than the Company, providing the State of Arizona intrastate communications service(s) to the public.

Premises - A building or buildings on contiguous property (except railroad rights-of-way, etc.) not separated by a public highway.

Subscriber - The property, or property owner, to which the Company provides service.

Uncompleted Call - Any call where the communication path between the calling and the called station is not established (i.e., busy, no answer, etc.).

User - The person at the Subscriber's location who actually places the call over the Company's service.

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Effective: _____

Issued by: Alan Smith
Preferred Carrier Services, Inc.
14681 Midway Road, Suite 105
Dallas, Texas 75244

SECTION 2 - RULES AND REGULATIONS**2.1. Application of Tariff**

This tariff contains the regulations and rates applicable to the reselling of Local Service by Preferred Carrier Services, Inc. (hereafter referred to as the "Company") between domestic points within the State of Arizona as specified in this tariff. Service is furnished subject to the availability of facilities and subject to transmission, atmospheric and like conditions. All terms, conditions and limitations of liability contained in this tariff apply to all State of Arizona services provided by the Company, and including those where charges are established pursuant to contract, unless the contract explicitly provides otherwise.

2.2. Service Description

Local Service is offered to residential and business Customers of the Company for the transmission of voice communications calls placed between one or more stations in the State of Arizona. The Company provides services for voice grade and data transmission services. All services are provided subject to the terms and conditions set forth in this tariff. The Company installs, operates, and maintains communication service in accordance with the terms and conditions set forth under this tariff. It 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 the Company's network. The customer shall be responsible for all charges due for such service arrangement. The Company's services are provided on a monthly basis unless ordered on a shorter or longer term basis as agreed to by the Company and the customer, and are available twenty-four hours per day, seven days per week.

2.3. Quality of Service

The Company intends to resell services carried on the facilities of US West and GTE. Applicant will comply with quality of service standards set forth by the ACC and any other governing body with jurisdiction over such matters. The quality standards of the incumbent LECs are on file and are adopted herein by this reference.

2.4. Interconnection with Other Common Carriers

The Company reserves the right to interconnect its services with those of any Other Common Carrier, Local Exchange Carrier, or alternate access provider of its election, and to utilize such services concurrently with its own provision of service offered in this tariff.

Issued: June 15, 1998

Effective: _____

Issued by: Alan Smith
Preferred Carrier Services, Inc.
14681 Midway Road, Suite 105
Dallas, Texas 75244

SECTION 2 - RULES AND REGULATIONS (Continued)

2.5. Shortage of Facilities

All service is subject to the availability of suitable facilities. The Company reserves the right to limit the length of communications or to discontinue furnishing service when necessary because of the lack of transmission medium capacity or due to any causes beyond its control.

2.6. Uses of Services

2.6.1. Services provided under this tariff may be used only for transmission of communications by customers in a manner consistent with the terms of this tariff and regulations of the FCC and all state and local authorities having jurisdiction over the service.

2.6.2. Services provided in this tariff shall not be used for unlawful purposes.

2.6.3. The use of the Company's service(s) without payment for service or attempting to avoid payment for service(s) by fraudulent means or devices, schemes, false or invalid numbers of false calling or credit cards is prohibited.

2.7. Liability of the Company

2.7.1. Except as stated in Section 2.7, the Company shall have no liability for damages of any kind arising out of or related to events, acts, rights or privileges contemplated in this tariff. This tariff does not limit the liability of the Company for gross negligence or willful misconduct.

2.7.2. The liability of the Company, if any, for damages resulting from or arising in connection with the furnishing of service(s) in this tariff, including but not limited to mistakes, omissions, interruptions, delays, errors, defects in transmission, or failures or defects in facilities furnished by the Company shall in no way exceed an amount of money equivalent to the charges applicable under this tariff. However, any such mistakes, omissions, interruptions, delays, errors, or defects in transmission or service(s) that are caused by or contributed to by the negligence or willful act of the Customer, or which arise from the use of Customer-Provided Facilities or equipment shall not result in the imposition of any liability upon the Company.

2.7.3. THE COMPANY DISCLAIMS ANY EXPRESS OR IMPLIED WARRANTIES WITH RESPECT TO THE SERVICES, INCLUDING WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

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Issued by: Alan Smith
Preferred Carrier Services, Inc.
14681 Midway Road, Suite 105
Dallas, Texas 75244

SECTION 2 - RULES AND REGULATIONS (Continued)**2.7. Liability of the Company (Continued)**

- 2.7.4. The Company is not liable for any act, omission or negligence of any Local Exchange Carrier or other provider whose facilities are used concurrently in furnishing any portion of the service(s) received by Customer, or for the unavailability of or any delays in the furnishing of any service(s) or facilities that are provided by any Local Exchange Carrier. Should the Company employ the service of any Other Common Carrier in furnishing the services provided to Customer, the Company's liability shall be limited according to the provisions of Section 2.7.2 above and elsewhere in this tariff.
- 2.7.5. The Company shall not be liable for any failure of performance due to causes beyond its control, including but not limited to fire, flood, or other catastrophes; Acts of God; atmospheric conditions or other phenomena of nature; federal, state or local governments having jurisdiction over the Company or the services provided within this tariff; national emergencies; civil disorder, insurrections, riots, wars, strikes, lockouts, work stoppages, or other labor problems or regulations established or actions taken by any court or government agency having jurisdiction over the Company.
- 2.7.6. The Company shall be indemnified and held harmless by the Customer and Authorized User from all loss, liability, damage, and expense, including reasonable attorney's fees and court costs, due to claims for libel, slander, or infringement of copyright or trademark in connection with any material transmitted by any person using the Company's service(s) and any other claim resulting from any act or omission of the Customer or Authorized User relating to the use of the Company's facilities and service(s).
- 2.7.7. The Company shall not be responsible for the installation, operation or maintenance of any Customer-provided communications equipment.
- 2.7.8. Where Customer-provided equipment is connected to service furnished pursuant to this tariff, the responsibility of the Company shall be limited to the maintenance and operations of such services in the proper manner; subject to this responsibility, the Company shall not be responsible for the through transmission of signals generated by Customer-provided equipment or for the quality of, or defects in, such transmission; or the reception of signals by Customer-provided equipment; or network control signaling where such signaling is performed by Customer-provided network control signaling equipment.
- 2.7.9. Under no circumstances whatsoever shall the Company or its officers, directors, agents, or employees be liable for any indirect, incidental, special, or consequential damages.

Issued: June 15, 1998

Effective: _____

Issued by: Alan Smith
Preferred Carrier Services, Inc.
14681 Midway Road, Suite 105
Dallas, Texas 75244

SECTION 2 - RULES AND REGULATIONS (Continued)

2.8. Assignment

The Customer shall not assign or transfer the use of the Company's services except with the prior written consent of the Company in each and every instance.

2.9. Responsibilities of the Customer

- 2.9.1. The Customer is responsible for placing any necessary orders, and for complying with tariff regulations, and for ensuring that authorized users comply with tariff regulations. The Customer is also responsible for the payment of charges for calls originated at the Customer's premises. This includes payment for calls or services originated at the Customer's number(s); accepted at the Customer's number(s) (i.e., collect calls); billed to the Customer's number via Third Number Billing if the Customer is found to be responsible for such call or service, the use of a Calling Card, the use of a Company assigned Special Billing Number and incurred at the specific request of the Customer.
- 2.9.2. The Customer is responsible for charges incurred for special construction and/or special facilities that the Customer requests and which are ordered by the Company on the Customer's behalf.
- 2.9.3. If required for the provision of the Company's services, the Customer must provide any equipment space, supporting structure, conduit, and electrical power without charge to the Company.
- 2.9.4. The Customer is responsible for arranging ingress to its premises at times mutually acceptable to the Customer and the Company when required for the Company personnel to install, repair, maintain, program, inspect, or remove equipment associated with the provision of the Company's service(s). Occasionally customer requested changes and testing for impairment may only be evident at certain times (i.e., a certain hour of the day). In such cases, service must be made available for testing during the same time periods if the trouble condition is to be corrected.
- 2.9.5. The Customer shall ensure that its terminal equipment and system is properly interfaced with the Company's or incumbent LEC's facilities and services, that the signals and voltages emitted into the Company's or incumbent LEC's facilities are of the proper mode, bandwidth, power, and signal level of the intended use of the Customer and in compliance with the criteria set forth in the rules of the FCC, and that the signals do not damage equipment, injure personnel or degrade service to other Customers.

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SECTION 2 - RULES AND REGULATIONS (Continued)**2.9. Responsibilities of the Customer (Continued)**

- 2.9.6. Interconnection between the Customer's equipment and Company-provided service must be made by the Customer by leased channel or dial-up service. Where interconnection between Customer's equipment and Company-provided service is not made by lease of Company facilities, interconnection must be made by the Customer at the Company's operating offices. Any special interface equipment necessary to achieve the compatibility between facilities of the Company and the channels or facilities of others shall be provided at the Customer's expense.
- 2.9.7. If the protective requirements in connection with Customer-provided equipment are not being complied with, the Company may take such immediate action as necessary to protect its facilities, services, and personnel and will promptly notify the Customer of the need for protective action. In the event that the Customer fails to advise the Company within 10 days after such notice is received that corrective action has been taken, the Company may take whatever additional action is deemed necessary, including the suspension of service, to protect its facilities and personnel from harm.
- 2.9.8. The Customer is liable to the Company for replacement and repair of damage to the equipment and facilities of the Company caused by negligence and willful act of the Customer, its Authorized Users, and others, and for improper use of equipment provided by the Customer, its Authorized Users, and others.
- 2.9.9. The Customer is liable for any of Company equipment installed at the Customer's premises caused by theft, fire, flooding, or any other casualty or criminal act.

2.10. Responsibilities of Authorized Users

- 2.10.1. The Authorized User is responsible for compliance with applicable regulations set forth in this tariff.
- 2.10.2. The Authorized User is responsible for establishing its identity as often as necessary during the course of a call.
- 2.10.3. The Authorized User is responsible for identifying the station, party, or person with whom communication is desired and/or made at the called number.

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SECTION 2 - RULES AND REGULATIONS (Continued)**2.10. Responsibilities of Authorized Users (Continued)**

2.10.4. The Authorized User is responsible for providing the Company with a valid method of billing for each call. The Company reserves the right to validate the credit worthiness of Users through available Credit Card, Called Number, Third Party telephone number and Room Number verification procedures. Where a requested billing method cannot be validated, the User may be required to provide an acceptable alternate billing method or the Company may refuse to place the call.

2.11. Termination or Interruption of Services

2.11.1. Without incurring liability, the Company may by 24 hour advance notice discontinue Service(s) to a Customer or to a particular Customer location, or may withhold the provision of ordered or contracted Service(s) under the following conditions:

- (i) For past due balances per Section 2.10.5. or when usage has exceeded the estimated credit limit established by the Company;
- (ii) For violation of the terms or conditions governing the furnishing of services under this tariff;

2.11.2. The Company will comply with a ruling considering disconnection made by any court with jurisdiction, public utility commission, federal regulatory body or other governing authority prohibiting the Company from furnishing its Service(s).

2.11.3. Without incurring liability, the Company may temporarily interrupt the provision of Service(s) at any time in order to perform test(s) and inspection(s) to assure compliance with tariff regulations and the proper installation and operation of Customer and the Company's equipment and facilities.

2.11.4. In the event that the Company incurs attorneys fees or other costs to recover any sums then due and the Company prevails, the Company shall be entitled to recover, if awarded by the court, its costs of collection, legal costs, court costs, and reasonable attorneys' fees, in addition to whatever other relief the court may award. The Company may assign or sell receivables to collection agencies or other parties and said amounts owed to the Company shall then become due and payable to said third party.

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SECTION 2 - RULES AND REGULATIONS (Continued)**2.11. Termination or Interruption of Services (Continued)**

- 2.11.5. Service(s) may be discontinued by the Company, without notice to the Customer, by blocking traffic to and from certain countries, cities, NXX's, or by blocking calls using certain Customer Authorization Codes or Calling Card Account Numbers when the Company deems it necessary to take such action to prevent fraud or other unlawful use of its Service(s). The Company may restore Service(s) as soon as it can be provided without undue risk.
- 2.11.6. If, for any reason, Service(s) is interrupted, the Customer will only be charged for the Service(s) that was actually used.

2.12. Payment for Service

The Customer is responsible for payment of all charges for service(s) furnished by the Company, including charges for service(s) originated or charges accepted at the Customer's service point.

- 2.12.1. Charges for Third Party calls will be included on the Billed Party's local exchange telephone company bill pursuant to billing and collection agreements established with the applicable telephone company.
- 2.12.2. Charges for Credit Card Calls will be included on the Billed Party's regular monthly statement from the card-issuing company.
- 2.12.3. The Customer will be billed for and is liable for payment of all applicable federal, state and local use, assessments, surcharges, sales and/or privilege taxes and/or similar liabilities chargeable to or against the Company as a result of the provision of the Company's service(s), in addition to the rates indicated in this tariff. Taxes or surcharges may be passed through to customers of a taxing jurisdiction on a prorated basis such that the total of all such charges aggregated among all customers in the taxing jurisdiction shall approximately equal the total amount of tax due in that jurisdiction.
- 2.12.4. The Customer shall remit payment of all charges to the Company or to any agency authorized by the Company to receive such payment. Undisputed amounts may not be withheld. The Commission shall be able to review the Company's billing at any point. Customers are not restricted in their ability to raise disputes concerning billing.
- 2.12.5. If the bill is not paid within thirty (30) calendar days following the mailing of the bill, the account will be considered delinquent.

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SECTION 2 - RULES AND REGULATIONS (Continued)**2.12. Payment for Service (Continued)**

- 2.12.6. Bills are due and payable upon receipt. Interest at the lesser of (1) the rate of one and one-half (1.5%) percent per month, or (2) the highest rate allowed by law per month shall accrue upon any unpaid amount commencing thirty (30) days after the date of the bill.
- 2.12.7. A delinquent account may subject the Customer's service(s) to temporary disconnection. (See Section 2.11.1.)
- 2.12.8. Failure to receive a bill will not exempt a Customer from prompt payment of any sum(s) due the Company.
- 2.12.9. Charges for recurring fees shall be billed one (1) month in advance. Usage charges shall be billed one (1) month in arrears.
- 2.12.10. The customer may tender payment for activation or renewal of local exchange services by purchasing a designated card from specified retailers for this purpose. The customer must follow the instructions provided with the payment card for payment to be properly applied to the customer's account.

2.13. Billing Entity Conditions

When the Company's billing functions are performed by credit card companies or others, payment conditions and regulations of such companies apply, including any applicable interest and/or late payment charges. In case of any disputed charges that cannot be resolved by the billing company, the Billed Party may contact the Company directly.

2.14. Deposits

The company does not require deposits from the Customer.

2.15. Restoration of Service

The use and restoration of service shall be in accordance with Rules and Regulations of the State of Arizona and/or any other body which has jurisdiction over such issues.

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SECTION 2 - RULES AND REGULATIONS (Continued)**2.16. Right to Backbill for Improper Use of the Company's Services**

Any person or entity which uses, appropriates or secures the use of service(s) from the Company, whether directly or indirectly, in any unlawful manner or through the providing of any misleading or false information to the Company shall be liable for an amount equal to the accrued and unpaid charges that would have been applicable to the use of the Company's service(s) actually made by Customer.

2.17. Employee Concessions

The company does not provide for any employee concessions.

2.18. Return Check Charges

If the Company receives a check from a Customer in payment for service rendered or for any other reason of indebtedness and which is returned from the bank due to insufficient or uncollected funds, closed account, apparent tampering, missing signature or endorsement, or for any other reason, a service charge of \$20.00 or five percent (5%) of the amount due, whichever is greater, shall be applied. The charge shall be applied to the Customer's monthly billing in addition to any other charges which may apply under this tariff. Payment rendered by check, which is subsequently dishonored shall not constitute payment until such time as repayment is made by valid means.

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SECTION 3 - SERVICE DESCRIPTIONS**3.1 Local Exchange Service**

The Company's Local Telephone Service provides a Customer with the ability to connect to the Company's switching network which enables the Customer to:

- place or receive calls to any calling Station in the local calling area, as defined herein;
- access basic 911 Emergency Service if available in the Customer's area;
- place or receive calls to 800 telephone numbers.

Local service will be offered on a per call basis or flat rate basis to Customers originating calls from locations within the service area of the incumbent LECs in the State of Arizona. Such service is available twenty-four (24) hours a day and seven (7) days per week.

3.1.1. Basic Local Exchange Services

3.1.1.1. **PREFERRED LOCAL - RESIDENTIAL I:** Local telephone service offered to end users at a residence or place of dwelling where the actual or obvious use is for domestic purposes.

3.1.1.2. **PREFERRED LOCAL - RESIDENTIAL II:** Local telephone service offered to end users at a residence or place of dwelling where the actual or obvious use is for domestic purposes and the end user is unable to or chooses not to attempt to establish satisfactory credit for other residential service.

3.1.2. Customer Calling Features

3.1.2.1. **PREFERRED CALL FORWARDING:** Allows the automatic forwarding (transfer) of all incoming calls to another telephone number. The line can be restored to normal operation at any time.

3.1.2.2. **PREFERRED BUSY CALL FORWARDING:** Allows the forwarding of incoming calls when the line is busy. The forwarded number is fixed by the service order. Calls may be forwarded outside the local central office.

3.1.2.3. **PREFERRED DELAYED CALL FORWARDING:** Allows the forwarding of incoming calls when the line remains unanswered after a preset number of rings. The number of rings and the forwarded number are fixed by the service order. Calls may be forwarded outside the local central office.

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SECTION 3 - SERVICE DESCRIPTIONS (CONT'D)**3.1. Local Exchange Service (Cont'd)**

3.1.2.4. **PREFERRED CALL WAITING:** Sends a tone signal while a call is in progress to indicate a second call is waiting; and, by operation of the switchhook, to place the first call on hold and answer the waiting call. Operation of the switchhook permits passage back and forth between the two calls, but a three way conference call cannot be established.

3.1.2.5. **PREFERRED CANCEL CALL WAITING:** Allows the dialing of an activation code prior to making a call, to cancel the Preferred Call Waiting feature. Preferred Cancel Call Waiting must be activated each time Preferred Call Waiting is to be canceled. Exception: If a Preferred Custom Calling Service that provides "flash privileges" such as Preferred Three Way Calling is subscribed to, the Preferred Cancel Call Waiting feature can be activated while an incoming or outgoing call is in progress.

The rates and charges for Preferred Call Waiting include the Preferred Cancel Call Waiting arrangement.

3.1.2.6. **PREFERRED THREE WAY CALLING:** Three Way Calling allows the addition of a third party to an established connection. When the third party answers, a two way conversation can be held before adding the original party for a three way call. The initiator of the call controls the call and may disconnect the third party to reestablish the original connection exclusively or establish a connection to a different third party. The feature may be used on outgoing and incoming calls.

3.1.2.7. **PREFERRED SPEED CALLING:** Allows placing call to other telephone numbers by dialing a one or two digit code rather than the complete telephone number. The feature is available as an eight code list or thirty code list. Either code list may include local and/or toll telephone numbers. To establish or change a telephone number in a code list, an activation code is dialed, a second dial tone is received and a one or two digit code (for the eight and thirty code lists respectively) plus the telephone number is dialed. Preferred Speed Calling is only available to those customers presently subscribing to Speed Calling.

3.1.3. Installation Services

3.1.3.1. **PREFERRED WIRING:** Installation of simple residential wiring where installation and other related premises work does not require more than one man hour of work.

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SECTION 3 - SERVICE DESCRIPTIONS (CONT'D)**3.2. Billing Periods**

Unless otherwise indicated, for commercial or residential measured rate State of Arizona calls there is generally a one minute minimum charge, with additional time billed in increments of one minute with full minute rounding unless otherwise indicated. Timing on completed calls begins when the call is answered by the called party. Timing terminates on all calls when either party goes to the on-hook mode.

3.3. Timing of Calls

The customer's usage charge is based on the actual usage of The Company's network. Usage begins when the called party picks up the receiver. When the called party picks up is determined by hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. A call is terminated when either party hangs up.

3.4. Minimum Call Completion Rate

The customer can expect a call completion rate (number of calls completed / number of calls attempted) of not less than 98% during peak use periods.

3.5. Uncompleted Calls

There shall be no charge for uncompleted calls.

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SECTION 3 - SERVICE DESCRIPTIONS (CONT'D)**3.6. Calculation of Distance**

In the event the company provides mileage sensitive products, then usage charges are based on the airline distance between rate centers associated with the originating and terminating points of the call.

The airline mileage between rate centers is determined by applying the formula below to the vertical and horizontal coordinates associated with the rate centers involved. The Company uses the rate centers and associated vertical and horizontal coordinates that are produced by Bell Communications Research in their NPA-NXX V & H Coordinates Tape and Bell's NECA Tariff No. 4.

FORMULA:
$$\sqrt{\frac{(V1-V2)^2 + (H1-H2)^2}{10}}$$

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SECTION 4 - APPLICATION OF RATES AND CHARGES

This section sets forth the rates and charges applicable to the Company's services. All rates and charges are expressed in U.S. dollars. Calls which overlap rate periods will be charged according to the rates applicable to the time recorded in each period. The Company will charge the customer for applicable federal and state taxes, fees and charges applicable to the service provided.

4.1. Listing of Rates and Charges**4.1.1. Basic Local Exchange Services**

4.1.1.1. PREFERRED LOCAL - RESIDENTIAL I
MRC \$18.00
Set up fee \$56.00

4.1.1.2. PREFERRED LOCAL - RESIDENTIAL II (includes call waiting)
MRC \$63.99
Set up fee \$79.99 (includes first month of service)

4.1.1.3. PREFERRED LOCAL - RESIDENTIAL III (does not include call waiting)
MRC \$59.99
Set up fee \$79.99

4.1.2. Customer Calling Features

4.1.2.1. PREFERRED CALL FORWARDING
MRC \$3.00
Set up fee \$10.00

4.1.2.2. PREFERRED BUSY CALL FORWARDING
MRC \$1.00
Set up fee \$10.00

4.1.2.3. PREFERRED DELAYED CALL FORWARDING
MRC \$1.00
Set up fee \$10.00

4.1.2.4. PREFERRED CALL WAITING
MRC \$5.00
Set up fee \$10.00

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SECTION 4 - APPLICATION OF RATES AND CHARGES

4.1. Listing of Rates and Charges (Cont'd)

4.1.2. Customer Calling Features (Cont'd)

4.1.2.5. PREFERRED CANCEL CALL WAITING
 MRC \$0.00
 Set up fee \$0.00

4.1.2.6. PREFERRED THREE WAY CALLING
 Unlimited use
 MRC \$3.75
 Set up fee \$10.00

 Usage basis
 Per use \$0.75
 Set up fee \$10.00

4.1.2.7. PREFERRED SPEED CALLING
 8 numbers
 MRC \$2.00
 Set up fee \$10.00

 30 numbers
 MRC \$3.00
 Set up fee \$10.00

All customers must pay a mandatory \$3.50 End User Common Line (EUCL) FCC fee per month.

4.1.3. Installation Services

4.1.3.1. PREFERRED WIRING
 First Hour - \$75.00
 Additional Hours - \$35.00/hour

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SECTION 4 - APPLICATION OF RATES AND CHARGES**4.2. Directory Listings**

The Company shall provide for a single directory listing, termed the primary listing, in the telephone directory published by the dominant exchange service provider in the Customer's exchange area of the Station number which is designated as the Customer's main billing number.

- 4.2.1. The Company reserves the right to limit the length of any listing in the directory by the use of abbreviations when, in its judgment, the clearness of the listing or the identification of the Customer is not impaired thereby. Where more than one line is required to properly list the Customer, no additional charge is made.
- 4.2.2. The Company may refuse a listing which is known not to constitute a legally authorized or adopted name, obscenities in the name, or any listing which, in the opinion of the Company, is a contrived name used for advertising purposes or to secure a preferential position in the directory or is more elaborate than is reasonably necessary to identify the listed party. The Company, upon notification to the Customer, will withdraw any listing which is found to be in violation of its rules with respect thereto.
- 4.2.3. In order for listings to appear in an upcoming directory, the Customer must furnish the listing to the Company in time to meet the directory publishing schedule.
- 4.2.4. Directory listings are provided in connection with each Customer service as specified herein.

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SECTION 4 - APPLICATION OF RATES AND CHARGES

4.2. Directory Listings (Cont'd)

4.2.5. Non-Recurring Charges: Non-Recurring Charges associated with Directory Listings are as follows:

Non-Recurring

Primary Listing (one number) N/C

4.2.6. Recurring Charges: Monthly Recurring Charges associated with Directory Listings are as follows:

Monthly

Primary Listing (one number) N/C

4.3. Emergency Services (Enhanced 911)

Allows Customers to reach appropriate emergency services including police, fire and medical services. Enhanced 911 has the ability to selectively route an emergency call to the primary E911 provider so that it reaches the correct emergency service located closest to the caller. In addition, the Customer's address and telephone information will be provided to the primary E911 provider for display at the Public Service Answering Point (PSAP).

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SECTION 5 - PROMOTIONAL OFFERINGS

5.1. Promotional Offerings

The Company, from time to time, may make promotional offerings of its services, which may include waiving or reducing the applicable charges for the promoted service. The promotional offerings may be limited as to the duration, the date and times of the offerings and the locations where the offerings are made.

5.1.1. Promotional Rate – PREFERRED RESIDENTIAL II (includes call waiting)

Set up fee \$69.99 (includes first month of service)

5.1.2. Promotional Rate – PREFERRED RESIDENTIAL III (does not include call waiting)

Set up fee \$69.00 (includes first month of service)

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PREFERRED CARRIER SERVICES, INC.

RESALE AGREEMENT

ATTACHMENT C

**AGREEMENT
FOR SERVICE RESALE
Between
Preferred Carrier Services, Inc.
and
U S WEST Communications, Inc.**

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AGREEMENT FOR SERVICE RESALE

This is an Agreement for Service Resale ("Agreement"), between Preferred Carrier Services, Inc. ("Reseller"), a Certified Reseller, and U S WEST Communications, Inc. ("USWC") (collectively, "the Parties") in which USWC will provide certain services to Reseller within the state of Arizona and such additional states as the Parties may mutually agree upon. Where required, this Agreement or the portions of this Agreement relative to a particular state, will be submitted to the appropriate Public Utilities Commission ("Commission") and the Parties will specifically request that the Commission promptly approve this Agreement and refrain from taking any action to change, suspend or otherwise delay implementation of this Agreement. The Parties enter into this Agreement without prejudice to any positions they have taken previously, or may take in the future in any legislative, regulatory, or other public forum addressing any matters, including matters related to the types of arrangements prescribed by this Agreement.

The Parties agree and understand that USWC is proposing certain provisions in this Agreement based, in large part, on the FCC's First Report and Order, In the Matter of Implementing of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98, rel. Aug. 8, 1996 ("FCC 1st Order") and the Second Report and Order and Memorandum Opinion and Order, In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No. 96-98, rel. Aug. 8, 1996 ("FCC 2nd Order"). To the extent that certain of the rules contained in the FCC 1st Order and the FCC 2nd Order are deemed by the courts to be not effective, this Agreement shall be modified to comport with the final court decisions and subsequent FCC or state Commission decisions or rules issued to comply with the courts' decisions.

I. RECITALS & PRINCIPLES

WHEREAS, the Telecommunications Act of 1996 (the "Act") was signed into law on February 8, 1996; and

WHEREAS, the Act places certain duties and obligations upon, and grants certain rights to, Telecommunications Carriers; and

WHEREAS, USWC is an Incumbent Local Exchange Carrier or has a majority ownership interest in local exchange companies which are Incumbent Local Exchange Carriers; and

WHEREAS, the Telecommunications Act of 1996 has specific requirements for service resale, commonly referred to as a part of the "checklist" and USWC desires that this Agreement meet those checklist requirements; and

WHEREAS, USWC, for itself and its Affiliates, is willing to sell services for resale, on the terms and subject to the conditions of this Agreement; and

WHEREAS, Reseller is a Telecommunications Carrier and has requested that USWC negotiate an Agreement with Reseller for the provision of USWC services for resale pursuant to the Act and in conformance with USWC's duties under the Act; and

WHEREAS, the Parties have arrived at this Agreement through voluntary negotiations undertaken pursuant to the Act.

NOW, THEREFORE, in consideration of the mutual provisions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Reseller and USWC hereby covenant and agree as follows:

II. SCOPE OF AGREEMENT

- A. This Agreement sets forth the terms, conditions and prices under which USWC agrees to provide telecommunications services for resale. Unless otherwise

provided in this Agreement, USWC will perform all of its obligations hereunder to the extent provided in the Appendices attached hereto. The Agreement includes all accompanying appendices.

- B. In the performance of their obligations under this Agreement, the Parties shall act in good faith and consistently with the intent of the Act. Where notice, approval or similar action by a Party is permitted or required by any provision of this Agreement, the Act, FCC 1st and 2nd Orders, or a state Commission, (including, without limitation, the obligation of the Parties to further negotiate the resolution of new or open issues under this Agreement) such action shall not be unreasonably delayed, withheld or conditioned.
- C. The Parties have agreed to certain provisions in this Agreement, based, in large part, on the existing state of the law, rules, regulations and interpretations thereof, as of the date hereof (the "Existing Rules"). To the extent that certain of the Existing Rules are changed and modified, and it reasonably appears that the Parties would have negotiated and agreed to different term(s), condition(s), or covenant(s) than as contained herein had such change or modification been in existence before execution hereof, then this Agreement shall be amended, pursuant to Section VII.W. to reflect such different term(s), condition(s), or covenant(s). Where the Parties fail to agree upon such an amendment, it shall be resolved in accordance with the Dispute Resolution provision of this Agreement.

III. DEFINITIONS

- A. "Basic Exchange Telecommunications Service" means a service offered to end users which provides the end user with a telephonic connection to, and a unique local telephone number address on, the public switched telecommunications network, and which enables such end user to generally place calls to, or receive calls from, other stations on the public switched telecommunications network. Basic residence and business line services are Basic Exchange Telecommunication Services. As used solely in the context of this Agreement and unless otherwise agreed, Basic Exchange Telecommunication Services includes access to ancillary services such as 911, directory assistance and operator services.
- B. "Basic Exchange Switched Features" are optional end user switched service features which include, but are not necessarily limited to: Automatic Call Back; Call Trace; Caller ID and Related Blocking Features; Distinctive Ringing/Call Waiting; Selective Call Forward; Selective Call Rejection.
- C. "Commission" means the Public Utilities Commission(s) in the state of Arizona.
- D. "Enhanced Services" means any service offered over common carrier transmission facilities that employ computer processing applications that act on format, content, code, protocol or similar aspects of the subscriber's transmitted information; that provide the subscriber with additional, different or restructured information; or involve end user interaction with stored information.
- E. "Reseller" is a category of Local Exchange service providers that are certified to obtain dial tone and associated telecommunications services from another provider through the purchase of bundled finished services for resale to its end users.

- F. "Tariff " as used throughout this Agreement refers to USWC state tariffs, price lists, price schedules and catalogs.
- G. "Telecommunications Carrier" means any provider of telecommunications services, except that such term does not include aggregators of telecommunications services (as defined in Section 226 of the Act). A Telecommunications Carrier shall be treated as a common carrier under the Act only to the extent that it is engaged in providing telecommunications services, except that the Commission shall determine whether the provision of fixed and mobile satellite service shall be treated as common carriage.

IV. RESALE SERVICES

A. Description.

1. USWC services (as defined in Section III.A. and B.) and intraLATA toll originating from USWC exchanges (hereinafter "intraLATA toll") will be available for resale by USWC pursuant to the Act and will reference terms and conditions (except prices) in USWC tariffs, where applicable. Appendix A lists services which are available for resale under this Agreement and the applicable discounts, and is attached and incorporated herein by this reference.
2. The Parties agree that, at this time, certain USWC services are not available for resale under this Agreement, and certain other USWC services are available for resale but at no discount, as identified in Appendix A or in individual state tariffs. The availability of services and applicable discounts identified in Appendix A or in individual tariffs are subject to change pursuant to Section IV E.1.

B. Scope.

1. Basic Exchange Telecommunications Service, Basic Exchange Switched Features and IntraLATA toll may be resold only for their intended or disclosed use and only to the same class of end user, as provided under USWC tariffs, to whom USWC sells such services; e.g., residence service may not be resold to business end users.
2. USWC shall provide to Reseller services for resale that are equal in quality, subject to the same conditions (including the conditions in USWC's effective tariffs), within provisioning time intervals that are substantially equal to the intervals USWC provides these services to others, including end users, and in accordance with any applicable state Commission service quality standards, including standards a state Commission may impose pursuant to Section 252 (e)(3) of the Act.

C. Ordering and Maintenance.

1. Reseller or Reseller's agent shall act as the single point of contact for its end users' service needs, including without limitation, sales, service design, order taking, provisioning, change orders, training, maintenance, trouble reports, repair, post-sale servicing, billing, collection and inquiry. Reseller shall make it clear to its end users that they are end users of the Reseller for resold services. Reseller's end users who inadvertently contact USWC will be instructed to contact the Reseller. However, nothing in this Agreement, except as provided in Section IV.C.7(e), shall be deemed to

prohibit USWC from discussing its products and services with Reseller's end users who call USWC for any reason.

2. Reseller shall transmit to USWC all information necessary for the installation (billing, listing and other information), repair, maintenance and post-installation servicing according to USWC's standard procedures, as described in the USWC resale operations guide that will be provided to Reseller.

When USWC's end user or the end user's new service provider discontinues the end user's service in anticipation of moving to another service provider, USWC will render its closing bill to end user effective with the disconnection. If USWC is not the local service provider, USWC will issue a bill to Reseller for that portion of the service provided to the Reseller should Reseller's end user, a new service provider, or Reseller request service be discontinued to the end user. USWC will notify Reseller by FAX, OSS, or other processes when end user moves to another service provider. USWC will not provide Reseller with the name of the other reseller or service provider selected by the end user.

3. Reseller shall provide USWC and USWC shall provide Reseller with points of contact for order entry, problem resolution and repair of the resold services.
4. Prior to placing orders on behalf of existing end users, Reseller shall be responsible for obtaining and have in its possession Proof of Authorization ("POA"). POA shall consist of documentation acceptable to USWC of the end user's selection of Reseller. Such selection may be obtained in the following ways:
 - a. The end user's written Letter of Authorization or LOA.
 - b. The end user's electronic authorization by use of an 800 number.
 - c. The end user's oral authorization verified by an independent third party (with third party verification as POA).
 - d. A prepaid returnable postcard supplied by Reseller which has been signed and returned by end user. Reseller will wait fourteen (14) days after mailing the postcard before placing an order to change.

Reseller shall make POAs available to USWC upon request. A charge of \$100.00 ("slamming charge") will be assessed if the POA cannot be provided supporting the change in service provider. If there is a conflict between the end user designation and Reseller's written evidence of its authority, USWC shall honor the designation of the end user and change the end user back to the previous service provider.

5. Reseller shall designate Primary Interexchange Carrier (PIC) assignments at the request of its end-users for interLATA services and intraLATA services when intraLATA presubscription is implemented.
6. When end users switch from USWC to Reseller, or to Reseller from any other reseller, such end users shall be permitted to retain their current telephone numbers if they so desire and do not change their service address to an address served by a different central office. USWC shall

take no action to prevent Reseller end users from retaining their current telephone numbers.

7. Reseller and USWC will employ the following procedures for handling misdirected repair calls:
 - a. Reseller and USWC will provide their respective end users with the correct telephone numbers to call for access to their respective repair bureaus.
 - b. End users of Reseller shall be instructed to report all cases of trouble to Reseller. End users of USWC shall be instructed to report all cases of trouble to USWC.
 - c. To the extent the correct provider can be determined, misdirected repair calls will be referred to the proper provider of Basic Exchange Telecommunications Service.
 - d. Reseller and USWC will provide their respective repair contact numbers to one another on a reciprocal basis.
 - e. In responding to repair calls, neither Party shall make disparaging remarks about each other, nor shall they use these repair calls as the basis for internal referrals or to solicit end users to market services. Either Party may respond with accurate information in answering end user questions.

D. Reseller Responsibilities.

1. Reseller must send USWC complete end-user listing information for directory assistance, directory listings, and 911 Emergency Services using USWC's resale order form and process. Reseller must provide to USWC complete end-user information to ensure appropriate listings in any databases in which USWC is required to retain and/or maintain end-user information. USWC assumes no liability for the accuracy of information provided by Reseller.
2. Reseller may not reserve blocks of USWC telephone numbers, except as allowed by tariffs.
3. Reseller is liable for all fraud associated with service to its end-users and accounts. USWC takes no responsibility, will not investigate, and will make no adjustments to Reseller's account in cases of fraud unless such fraud is the result of any intentional act or gross negligence of USWC. Notwithstanding the above, if USWC becomes aware of potential fraud with respect to Reseller's accounts, USWC will promptly inform Reseller and, at the direction of Reseller, take reasonable action to mitigate the fraud where such action is possible.
4. Reseller will indicate the date it will offer to residential and business subscribers telephone exchange services. The Reseller will provide a two year forecast within ninety (90) days of signing this Agreement. During the first year of the term of this Agreement, the forecast shall be updated and provided to USWC on a quarterly basis. Thereafter, during the term of this Agreement, Reseller will provide updated forecasts from time to time, as requested by USWC. The initial forecast will provide:
 - The date service will be offered (by city and/or state)

- The type and quantity of service(s) which will be offered
- Reseller's anticipated order volume
- Reseller's key contact personnel

The information provided pursuant to this paragraph shall be considered Proprietary Information under Section VII. O. of this Agreement.

5. In the event USWC terminates the provisioning of any resold services to Reseller for any reason, Reseller shall be responsible for providing any and all necessary notice to its end users of the termination. In no case shall USWC be responsible for providing notice to Reseller's end users. USWC will provide notice to Reseller of its termination of a resold service on a timely basis consistent with Commission rules and notice requirements.

E. Rates and Charges

1. Resold services as listed in Appendix A are available for resale at the applicable discount percentage or rate per minute set forth in Appendix A or at the retail tariff rates for services available for resale but excluded from the wholesale pricing arrangement in this Agreement.

However, state Commissions may do any of the following (collectively referred to hereinafter as "Order") during the term of this Agreement:

- establish wholesale discount rates through decisions in arbitration, interconnection and/or resale cost proceedings;
- establish other recurring and nonrecurring rates related to resale, including but not limited to Customer Transfer Charges and Slamming Charges ("Other Resale Charges"); and
- order that certain services be made available for resale at specified wholesale discount rates.

If a state Commission orders services to be available for resale, the Parties agree that they will, on a state-by-state basis, revise Appendix A to incorporate the services determined by such Order into this Agreement, effective on the date ordered by a Commission. When a state Commission, through a decision in arbitration, identifies services that must be available for resale at wholesale discount rates, such decision shall be deemed to have defined that such services are generally available to resellers in that state. If a state Commission establishes wholesale discount rates and Other Resale Charges to be made generally available to resellers or establishes a resale tariff, the Parties agree that they will, on a state-by-state basis, revise Appendix A to incorporate such wholesale discount rates and/or Other Resale Charges into this Agreement effective on the date ordered by a Commission; provided, however, that USWC shall have a reasonable time to implement system or other changes necessary to bill the Commission ordered rates or charges.

The rates for those resold services initially included in the wholesale pricing arrangement under this Agreement shall be subject to true-up to the wholesale discount rates established by a Commission Order making such rates generally available to resellers or established by a resale tariff, retroactively to the effective date of this Agreement. Any true-up shall be on a service-by-service basis if wholesale discount rates are established by a Commission on such a basis.

Services excluded from the wholesale pricing arrangement under this Agreement as identified in Appendix A, shall be made available on a going forward basis from the date of a Commission Order that orders such services be made generally available to any reseller in the state where such a Commission Order is issued. Such services shall be available at the discount rate applicable to basic exchange business and residence services identified in Section 2 of Appendix A; provided, however, that when a Commission order establishes wholesale discount rates for such services as generally available to resellers, Appendix A shall be revised to incorporate the wholesale discount rates generally available to resellers.

If a state Commission fails to issue such an Order or make effective such a tariff by the end of the first year of this Agreement, either USWC or Reseller may elect to renegotiate this Section of the Agreement.

2. If the resold services are purchased pursuant to Tariffs and the Tariff rates change, charges billed to Reseller for such services will be based upon the new Tariff rates less the applicable wholesale discount as agreed to herein or established by resale Tariff. The new rate will be effective upon the Tariff effective date.
3. A Customer Transfer Charge (CTC) as specified in Appendix A applies when transferring any existing account or lines to a Reseller. Tariffed non-recurring charges will apply to new installations.
4. A Subscriber Line Charge (SLC) will continue to be paid by the Reseller without discount to USWC for each local exchange line resold under this Agreement. All federal and state rules and regulations associated with SLC as found in the applicable tariffs also apply.
5. Reseller will pay to USWC the PIC change charge without discount associated with Reseller end user changes of inter-exchange or intraLATA carriers.
6. Reseller agrees to pay USWC when its end user activates any services or features that are billed on a per use or per activation basis subject to the applicable discount in Appendix A as such may be amended pursuant to Section IV.E.1 (e.g., continuous redial, last call return, call back calling, call trace, etc.).
7. Resold services are available only where facilities currently exist and are capable of providing such services without construction of additional facilities or enhancement of existing facilities. However, if Reseller requests that facilities be constructed or enhanced to provide resold services, USWC will review such requests on a case-by-case basis and determine, in its sole discretion, if it is economically feasible for USWC to build or enhance facilities. If USWC decides to build or enhance the requested facilities, USWC will develop and provide to Reseller a price quote for the construction. If the quote is accepted, Reseller will be billed the quoted price and construction will commence after receipt of payment.
8. Nonrecurring charges will not be discounted and will be billed at the applicable Tariff rates.
9. As part of the resold line, USWC provides and Reseller accepts, at this time, operator services, directory assistance, and IntraLATA long distance with standard USWC branding. Reseller is not permitted to alter the

branding of these services in any manner when the services are a part of the resold line without the prior written approval of USWC. However, at the request of Reseller and where technically feasible, USWC will rebrand operator services and directory assistance in the Reseller's name, provided the costs associated with such rebranding are paid by Reseller.

F. Collateral and Training.

The Parties will jointly develop procedures regarding Reseller's use of USWC's retail product training materials. Except for any rights granted by USWC to Reseller for the use or copying of product training material, product training provided under this Agreement shall be considered "Proprietary Information" as described in Section VII. O., and shall be subject to the terms and conditions specified therein.

V. **ACCESS TO OPERATIONAL SUPPORT SYSTEMS (OSS)**

Access to OSS is described in Appendix C to this Agreement, which Appendix is attached hereto and incorporated herein by this reference.

VI. **DIRECTORY LISTING.**

USWC will accept at no charge one primary listing for each main telephone number belonging to Reseller's end user based on end user information provided to USWC by Reseller. USWC will place Reseller's listings in USWC's directory listing database for directory assistance purposes and will make listings available to directory publishers and other third parties. Additional terms and conditions with respect to directory listings are described in Appendix B which by this reference is incorporated and made a part of this Agreement.

VII. **GENERAL PROVISIONS**

A. Term.

This Agreement shall become effective upon Commission approval, pursuant to Sections 251 and 252 of the Act, and shall terminate on September 1, 2000, and shall be binding upon the Parties during that term, notwithstanding Section 252(i) of the Act. The Parties agree to commence negotiations on a new agreement no later than 135 calendar days prior to the termination date specified above; provided that Reseller, consistent with Section 252(i) of the Act, may opt into a then-existing, valid interconnection or resale agreement, in its entirety, at the conclusion of the said term of this Agreement. In the event that negotiations are not concluded as of the termination date specified above, the window of opportunity to file for arbitration to resolve outstanding contractual issues in accordance with the Act will open upon the termination date specified above.

B. Billing.

1. USWC shall bill Reseller and Reseller is responsible for all applicable charges for the resold services as provided herein. The Reseller shall also be responsible for all tariffed charges and charges separately identified in this Agreement associated with services that the Reseller resells to an end user under this Agreement.
2. USWC shall provide Reseller, on a monthly basis, within 7-10 days of the last day of the most recent billing period, in an agreed upon standard

electronic billing format, billing information including (1) a summary bill, and (2) individual end user sub-account information consistent with the samples provided to Reseller for Reseller to render end user bills indicating all recurring and nonrecurring charges associated with each individual end user's account for the most recent billing period.

C. Payment.

1. Amounts payable under this Agreement are due and payable within thirty (30) days after the bill date of USWC's invoice. During the initial three billing cycles of this Agreement, Reseller and USWC agree that undisputed amounts shall be paid as provided herein. Reseller and USWC further agree that, during said three billing cycle period, they will cooperate to resolve amounts in dispute or billing process issues in a timely manner but no later than sixty (60) days after the bill date of USWC's invoice or identification and notice of the billing process issue. Disputed amounts will be paid within thirty (30) days following resolution of the dispute.
2. After the three (3) month period outlined in Section C.1. above, the Reseller will pay the bill in full within 30 days after the bill date of the invoice. Billing disputes will be processed and jointly resolved. Any disputed amounts that USWC remits to the Reseller will be credited on the next billing cycle including an interest credit of 1.5% per month compounded. If Reseller reports a billing error prior to the bill due date that results in an overbilling to Reseller, and USWC confirms the billing error, Reseller may deduct the amount of the overbilling from their current bill payment.
3. A late payment charge of 1.5% applies to all billed balances which are not paid by 30 days after the bill date shown on the invoice. USWC agrees, however, that the application of this provision will be suspended for the initial three billing cycles of this Agreement and will not apply to amounts billed during those three cycles.
4. USWC may discontinue processing orders for the failure by Reseller to make full payment for the resold services provided under this Agreement within forty five (45) days of the due date on Reseller's bill. USWC agrees, however, that the application of this provision will be suspended for the initial three billing cycles of this Agreement and will not apply to amounts billed during those three cycles.
5. USWC may disconnect for the failure by Reseller to make full payment for the resold services provided under this Agreement within sixty (60) days of the due date on Reseller's bill. Reseller will pay the tariff charge required to reconnect each end user line disconnected pursuant to this paragraph. USWC agrees, however, that the application of this provision will be suspended for the first three billing cycles under this Agreement and will not apply to amounts billed during those three cycles.
6. Collection procedures and the requirements for deposit are unaffected by the application of a late payment charge.
7. USWC shall credit Reseller's account the amount due for any trouble or out-of-service conditions in the same manner that USWC credits the accounts of its own end-user and pursuant to any applicable provisions in USWC's tariffs. USWC shall reflect the amount of such credits on an

individual end user telephone number basis in the billing information USWC provides Reseller.

8. In the event billing disputes relate to service quality issues, the dispute shall be referred to the USWC account executive assigned to Reseller who will promptly evaluate the facts and circumstances of the service quality issues and will work with Reseller to resolve the dispute within ninety (90) days.

D. Deposit.

1. USWC may require Reseller to make a suitable deposit to be held by USWC as a guarantee of the payment of charges. Any deposit required of an existing reseller is due and payable within ten days after the requirement is imposed. The amount of the deposit shall be the estimated charges for the resold Service which will accrue for a two-month period.
2. When the service is terminated, or when Reseller has established satisfactory credit, the amount of the initial or additional deposit, with any interest due as set forth in applicable tariffs, will, at Reseller's option, either be credited to Reseller's account or refunded. Satisfactory credit for a reseller is defined as twelve consecutive months service as a reseller without a termination for nonpayment and with no more than one notification of intent to terminate Service for nonpayment. Interest on the deposit shall be accumulated by USWC at a rate equal to the federal discount rate, as published in the Wall Street Journal.

E. Taxes.

Each party purchasing services hereunder shall pay or otherwise be responsible for all federal, state, or local sales, use, excise, gross receipts, transaction or similar taxes, fees or surcharges levied against or upon such purchasing Party (or the providing Party when such providing Party is permitted to pass along to the purchasing Party such taxes, fees or surcharges), except for any tax on either Party's corporate existence, status or income. Whenever possible, these amounts shall be billed as a separate item on the invoice. To the extent a sale is claimed to be for resale tax exemption, the purchasing Party shall furnish the providing Party a proper resale tax exemption certificate as authorized or required by statute or regulation by the jurisdiction providing said resale tax exemption. Failure to timely provide said resale tax exemption certificate will result in no exemption being available to the purchasing Party.

F. Force Majeure.

Neither Party shall be responsible for delays or failures in performance resulting from acts or occurrences beyond the reasonable control of such Party, regardless of whether such delays or failures in performance were foreseen or foreseeable as of the date of this Agreement, including, without limitation: fire, explosion, power failure, acts of God, war, revolution, civil commotion, or acts of public enemies; any law, order, regulation, ordinance or requirement of any government or legal body; or labor unrest, including, without limitation, strikes, slowdowns, picketing or boycotts; or delays caused by the other Party or by other service or equipment vendors; or any other circumstances beyond the Party's reasonable control. In such event, the Party affected shall, upon giving prompt notice to the other Party, be excused from such performance on a day-to-day basis to the extent of such

interference (and the other Party shall likewise be excused from performance of its obligations on a day-for-day basis to the extent such Party's obligations relate to the performance so interfered with). The affected Party shall use its best efforts to avoid or remove the cause of non-performance and both parties shall proceed to perform with dispatch once the causes are removed or cease.

G. Responsibility of Each Party.

Each Party is an independent contractor, and has and hereby retains the right to exercise full control of and supervision over its own performance of its obligations under this Agreement and retains full control over the employment, direction, compensation and discharge of all employees assisting in the performance of such obligations. Each Party will be solely responsible for all matters relating to payment of such employees, including compliance with social security taxes, withholding taxes and all other regulations governing such matters. Each Party will be solely responsible for proper handling, storage, transport and disposal at its own expense of all (i) substances or materials that it or its contractors or agents bring to, create or assume control over at work locations or, (ii) waste resulting therefrom or otherwise generated in connection with its or its contractors' or agents' activities at the work locations. Subject to the limitations on liability and except as otherwise provided in this Agreement, each Party shall be responsible for (i) its own acts and performance of all obligations imposed by applicable law in connection with its activities, legal status and property, real or personal and, (ii) the acts of its own affiliates, employees, agents and contractors during the performance of that Party's obligations hereunder.

H. Limitation of Liability.

Except for indemnity obligations, each Party's liability to the other Party for any loss relating to or arising out of any negligent act or omission in its performance of this Agreement, whether in contract or in tort, shall be limited to the total amount that is or would have been charged to the other Party by such negligent or breaching Party for the service(s) or function(s) not performed or improperly performed.

Neither Party shall be liable to the other under this Agreement for indirect, incidental, consequential, or special damages, including (without limitation) damages for lost profits, lost revenues, lost savings suffered by the other Party regardless of the form of action, whether in contract, warranty, strict liability, tort, including (without limitation) negligence of any kind and regardless of whether the Parties know the possibility that such damages could result.

Nothing contained in this Section shall limit either Party's liability to the other for intentional, malicious misconduct.

I. Indemnification.

1. With respect to third party claims, each of the Parties agrees to release, indemnify, defend and hold harmless the other Party and each of its officers, directors, employees and agents (each an "Indemnitee") from and against and in respect of any loss, debt, liability, damage, obligation, claim, demand, judgment or settlement of any nature or kind, known or unknown, liquidated or unliquidated including, but not limited to, costs and attorneys' fees, whether suffered, made, instituted, or asserted by any other party or person, for invasion of privacy, personal injury to or death of any person or

persons, or for loss, damage to, or destruction of property, whether or not owned by others, resulting from the indemnifying Party's performance, breach of applicable law, or status of its employees, agents and subcontractors; or for failure to perform under this Agreement, regardless of the form of action.

2. The indemnification provided herein shall be conditioned upon:
 - a. The indemnified Party shall promptly notify the indemnifying Party of any action taken against the indemnified Party relating to the indemnification. Failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of any liability that the Indemnifying Party might have, except to the extent that such failure prejudices the Indemnifying Party's ability to defend such claim.
 - b. The indemnifying Party shall have sole authority to defend any such action, including the selection of legal counsel, and the indemnified Party may engage separate legal counsel only at its sole cost and expense.
 - c. In no event shall the indemnifying Party settle or consent to any judgment pertaining to any such action without the prior written consent of the indemnified Party.

J. Intellectual Property

1. Each Party hereby grants to the other Party the limited, personal and nonexclusive right and license to use its patents, copyrights and trade secrets but only to the extent necessary to implement this Agreement or specifically required by the then applicable federal and state rules and regulations relating to Resale and access to telecommunications facilities and services, and for no other purposes. Nothing in this Agreement shall be construed as the grant to the other Party of any rights or licenses to trademarks.
2. The rights and licenses above are granted "AS IS" and the other Party's exercise of any such right and license shall be at the sole and exclusive risk of the other Party. Neither Party shall have any obligation to defend, indemnify or hold harmless, or acquire any license or right for the benefit of, or owe any other obligation or have any liability to, the other based on or arising from any claim, demand, or proceeding (hereinafter "claim") by any third party alleging or asserting that the use of any circuit, apparatus, or system, or the use of any software, or the performance of any service or method, or the provision of any facilities by either Party under this Agreement constitutes infringement, or misuse or misappropriation of any patent, copyright, trade secret, or any other proprietary or intellectual property right of any third party.
3. As a condition to the access or use of patents, copyrights, trade secrets and other intellectual property (including software) owned or controlled by a third party to the extent necessary to implement this Agreement or specifically required by the then applicable federal and state rules and regulations relating to resale and access to telecommunications facilities and services, the Party providing access may require the other upon written notice, from time to time, to obtain a license or permission for such

access or use, make all payments in connection with obtaining such license, and provide evidence of such license.

4. Except as expressly provided in this Intellectual Property Section, nothing in this Agreement shall be construed as the grant of a license, either express or implied, with respect to any patent, copyright, logo, trademark, tradename, trade secret or any other intellectual property right now or hereafter owned, controlled or licensable by either Party. Reseller may not use any patent, copyright, logo, trademark, tradename, trade secret or other intellectual property right of USWC or its affiliates without execution of a separate agreement between the Parties.
5. Neither Party shall, without the express written permission of the other Party, state or imply that;
1) Either Party is connected, or in any way affiliated with the other Party or its affiliates or,
2) Either Party is part of a joint business association or any similar arrangement with the other Party or its affiliates or,
3) Either Party or its affiliates are in any way sponsoring, endorsing or certifying the other Party and its goods and services or,
4) with respect to advertising or promotional activities or materials, that the resold goods and services are in any way associated with or originated from USWC or any of its affiliates. Notwithstanding the above, Reseller may state in response to a specific inquiry concerning the origin of the resold services that "Reseller is reselling USWC services." No other statements may be made.
6. Notwithstanding the above, unless otherwise prohibited by USWC pursuant to an applicable provision herein, Reseller may use the phrase "(Name of Reseller) is a reseller of U S WEST Communications services" (the "Authorized Phrase") in Reseller's printed materials provided:
 - a) The Authorized Phrase is not used in connection with any goods or services other than USWC services resold by Reseller.
 - b) Reseller's use of the Authorized Phrase does not, in USWC's sole discretion, cause end users to believe that Reseller is USWC.
 - c) The Authorized Phrase, when displayed, appears only in text form (Reseller may not use the U S WEST logo) with all letters being the same font and point size. The point size of the Authorized Phrase shall be no greater than one fourth the point size of the smallest use of Reseller's name and in no event shall exceed 8 point size.
 - d) Reseller shall provide all printed materials to USWC for its prior written approval.
 - e) If USWC determines that Reseller's use of the Authorized Phrase causes end user confusion, USWC may in its sole discretion, immediately terminate Reseller's right to use the Authorized Phrase.
 - f) Upon termination of the Reseller's right to use the Authorized Phrase or termination of this Agreement, all permission or right to use the Authorized Phrase shall immediately cease to exist and Reseller shall immediately cease any and all such use of the Authorized Phrase. Reseller shall either promptly return to USWC or destroy all materials in its possession or control displaying the Authorized Phrase.

7. Reseller acknowledges the value of the marks "U S WEST" and "U S WEST Communications" (the "Marks") and the goodwill associated therewith and acknowledges that such goodwill is a property right belonging to U S WEST, Inc. and USWC respectively (the "Owners"). Reseller recognizes that nothing contained in this Agreement is intended as an assignment or grant to Reseller of any right, title or interest in or to the Marks and that this Agreement does not confer any right or license to grant sublicenses or permission to third parties to use the Marks and is not assignable. Reseller will do nothing inconsistent with the Owners' ownership of the Marks, and all rights, if any, that may be acquired by use of the Marks shall inure to the benefit of the Owners. Reseller will not adopt, use (other than as authorized in Section 3 herein), register or seek to register any mark anywhere in the world which is identical or confusingly similar to the Marks or which is so similar thereto as to constitute a deceptive colorable imitation thereof or to suggest or imply some association, sponsorship, or endorsement by the Owners. The Owners make no warranties regarding its ownership of any rights in or the validity of the Marks.

K. Warranties.

NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, THE PARTIES AGREE THAT NEITHER PARTY HAS MADE, AND THAT THERE DOES NOT EXIST, ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

L. Assignment.

Neither Party may assign or transfer (whether by operation of law or otherwise) this Agreement (or any rights or obligations hereunder) to a third party without the prior written consent of the other Party provided that each Party may assign this Agreement to a corporate affiliate or an entity under its common control or an entity acquiring all or substantially all of its assets or equity by providing prior written notice to the other Party of such assignment or transfer. Any attempted assignment or transfer that is not permitted is void ab initio. Without limiting the generality of the foregoing, this Agreement shall be binding upon and shall inure to the benefit of the Parties' respective successors and assigns.

M. Default.

If either Party defaults in the payment of any amount due hereunder, or if either Party violates any other provision of this Agreement, and such default or violation shall continue for thirty (30) days after written notice thereof, the other Party may seek legal and/or regulatory relief. The failure of either Party to enforce any of the provisions of this Agreement or the waiver thereof in any instance shall not be construed as a general waiver or relinquishment on its part of any such provision, but the same shall, nevertheless, be and remain in full force and effect.

N. Severability.

In accordance with this Agreement, if one or more of the provisions contained herein must be modified because of changes in Existing Rules or modifications to arbitration proceedings, the Parties will negotiate in good faith for replacement

language. If replacement language cannot be agreed upon, either Party may seek regulatory intervention, including negotiations pursuant to Sections 251 and 252 of the Act. In all other respects, the provisions of this Agreement are not severable.

O. Nondisclosure.

1. All information including, but not limited to, specifications, microfilm, photocopies, magnetic disks, magnetic tapes, drawings, sketches, models, samples, tools, technical information, data, employee records, maps, financial reports, and market data, (i) furnished by one Party to the other Party dealing with end user specific, facility specific, or usage specific information other than end user information communicated for the purpose of publication of directory database inclusion, or (ii) in written, graphic, electromagnetic, or other tangible form and marked at the time of delivery as "Confidential", "Proprietary", or (iii) communicated and declared to the receiving Party at the time of delivery, or by written notice given to the receiving Party within ten (10) days after delivery, to be "Confidential" or "Proprietary" (collectively referred to as "Proprietary Information"), shall remain the property of the disclosing Party. A Party who receives Proprietary Information via an oral communication may request written confirmation that the material is Proprietary Information. A Party who delivers Proprietary Information via an oral communication may request written confirmation that the Party receiving the information understands that the material is Proprietary Information.
2. Upon request by the disclosing Party, the receiving Party shall return all tangible copies of Proprietary Information, whether written, graphic or otherwise, except that the receiving Party may retain one copy for archival purposes.
3. Each Party shall keep all of the other Party's Proprietary Information confidential and shall use the other Party's Proprietary Information only in connection with this Agreement. Neither Party shall use the other Party's Proprietary Information for any other purpose except upon such terms and conditions as may be agreed upon between the Parties in writing.
4. Unless otherwise agreed, the obligations of confidentiality and non-use set forth in this Agreement do not apply to the extent that such Proprietary Information:
 - a. was at the time of receipt already known to the receiving Party free of any obligation to keep it confidential (evidenced by written records prepared prior to delivery by the disclosing Party); or
 - b. is or becomes publicly known through no wrongful act of the receiving Party; or
 - c. is rightfully received from a third person having no direct or indirect secrecy or confidentiality obligation to the disclosing Party with respect to such information; or
 - d. is independently developed by an employee, agent, or contractor of the receiving Party which individual is not involved in any manner with the provision of services pursuant to the Agreement and does not have any direct or indirect access to the Proprietary Information; or

- e. is disclosed to a third person by the disclosing Party without restrictions on such third person's rights; or
- f. is approved for release by written authorization of the disclosing Party; or
- g. is required to be made public by the receiving Party pursuant to applicable law or regulation provided that the receiving Party shall give sufficient notice of the requirement to the disclosing Party to enable the disclosing Party to seek protective orders where possible.
- h. **Effective Date Of This Section.** Notwithstanding any other provision of this Agreement, the Proprietary Information provisions of this Agreement shall apply to all information furnished by either Party to the other in furtherance of the purpose of this Agreement, even if furnished before the date of this Agreement.

P. Survival.

The Parties' obligations under this Agreement which by their nature are intended to continue beyond the termination or expiration of this Agreement shall survive the termination or expiration of this Agreement.

Q. Dispute Resolution.

If any claim, controversy or dispute between the Parties, their agents, employees, officers, directors or affiliated agents ("Dispute") cannot be settled through negotiation, it shall be resolved by arbitration conducted by a single arbitrator engaged in the practice of law, under the then current rules of the American Arbitration Association ("AAA"). The Federal Arbitration Act, 9 U.S.C. Secs. 1-16, not state law, shall govern the arbitrability of all Disputes. The arbitrator shall not have authority to award punitive damages. All expedited procedures prescribed by the AAA rules shall apply. The arbitrator's award shall be final and binding and may be entered in any court having jurisdiction thereof. The prevailing Party, as determined by the arbitrator, shall be entitled to an award of reasonable attorneys' fees and costs. The arbitration shall occur in Denver, Colorado. Nothing in this Section shall be construed to waive or limit either Party's right to seek relief from the Commission or the Federal Communications Commission as provided by state or federal law.

No Dispute, regardless of the form of action, arising out of this Agreement, may be brought by either Party more than two (2) years after the cause of action accrues.

R. Controlling Law.

This Agreement was negotiated by the Parties in accordance with the terms of the Act and the laws of the state where service is provided hereunder. It shall be interpreted solely in accordance with the terms of the Act and the applicable state law in the state where the service is provided.

S. Joint Work Product.

This Agreement is the joint work product of the Parties and has been negotiated by the Parties and their respective counsel and shall be fairly interpreted in accordance with its terms and, in the event of any ambiguities, no inferences shall be drawn against either Party.

T. Notices.

Any notices required by or concerning this Agreement shall be sent to the Parties at the addresses shown below:

USWC
USWC
Director - Interconnection Compliance
1801 California Street, Room 2410
Denver, Colorado 80202

Reseller
Preferred Carrier Services, Inc.
Mr. Jeff Walker
14681 Midway Road - Suite 105
Dallas, TX 15244
phone 972-503-3388
fax 972-503-3385

Copy to:
U S WEST Law Department
General Counsel
1801 California Street, Room 5100
Denver, Colorado 80202

Each Party shall inform the other of any changes in the above addresses.

U. No Third-Party Beneficiaries.

Except as may be specifically set forth in this Agreement, this Agreement does not provide and shall not be construed to provide third parties with any remedy, claim, liability, reimbursement, cause of action, or other privilege.

V. Publicity and Advertising.

Neither party shall publish or use any advertising, sales promotions or other publicity materials that use the other party's name, logo, trademarks or service marks without the prior written approval of the other party.

W. Amendment

Reseller and USWC may mutually agree to amend this Agreement in writing. Since it is possible that amendments to this Agreement may be needed to fully satisfy the purposes and objectives of this Agreement, the Parties agree to work cooperatively, promptly and in good faith to negotiate and implement any such additions, changes and corrections to this Agreement.

X. Executed in Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original; but such counterparts shall together constitute one and the same instrument.

Y. Headings of No Force or Effect

The headings of Sections of this Agreement are for convenience of reference only, and shall in no way define, modify or restrict the meaning or interpretation of the terms or provisions of this Agreement.

Z. Cooperation

The Parties agree that this Agreement involves the provision of USWC services in ways such services were not previously available and the introduction of new processes and procedures to provide and bill such services. Accordingly, the

Parties agree to work jointly and cooperatively in testing and implementing processes for pre-ordering, ordering, maintenance, provisioning and billing and in reasonably resolving issues which result from such implementation on a timely basis.

AA. Entire Agreement.

This Agreement constitutes the entire agreement between the Parties and supersedes all prior oral or written agreements, representations, statements, negotiations, understandings, proposals and undertakings with respect to the subject matter hereof. This Agreement shall prevail in the event of any conflict between the "Resale Resource Guide" and the terms and conditions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized representatives.

Preferred Carrier Services, Inc.



Signature

Alan Smith

Name Printed/Typed

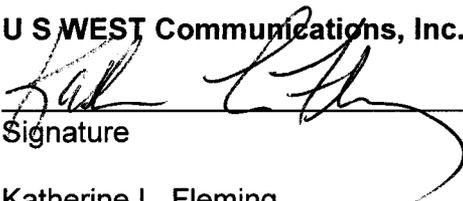
Chief Financial Officer

Title

6-16-98

Date

U S WEST Communications, Inc.



Signature

Katherine L. Fleming

Name Printed/Typed

Executive Director-Interconnection

Title

6/18/98

Date

Signature does not waive any rights of either Party to seek administrative/judicial review of all or part of this Agreement or to reform this Agreement as a result of successful administrative/judicial review and/or future settlement agreements between the Parties to this Agreement.

**APPENDIX A - ARIZONA
LOCAL EXCHANGE SERVICES
RESALE OF SERVICES**

The Parties agree the following charges apply to the Resale of Local Services:

1. Nonrecurring Charges.

a. Customer Transfer Charge (CTC): The following nonrecurring charges apply when converting a USWC account to a Reseller account or when changing an end user from one reseller to another.

Category of Service	USOC	Per Line Nonrecurring Charge
• Residence		\$5.00
• Business		\$5.00
• ISDN		\$5.00

b. Product Specific Nonrecurring Charge: As set forth in USWC tariffs, the product specific nonrecurring charges, discounted by 18%, will apply when additional lines or trunks are added or when the end user adds features or services to existing lines or trunks.

2. Basic Residential Line service 12%, Basic Business Line Service 18%. Except as qualified below, all other USWC telecommunications services shall be available for resale at an 18% discount.

(a) The following services are not available for resale:

- Customer Premises Equipment (separately or in a package)
- Enhanced Services
- Inside Wire (including installation, sale or maintenance)
- USWC Calling Card
- Concession Service
- Promotions of less than 90 days

(b) The following services are available only to the same class of customer eligible to purchase that service from USWC:

- Grandfathered
- Residence
- Lifeline/Link-up

(c). The following services are available for resale under this Agreement but are not included in the wholesale pricing reflected above:

- Public Access Lines
- Private Line Used For Special Access

(c) IntraLATA Toll Charges: Reseller shall have their choice of obtaining USWC provided intraLATA toll for resale at an 18% discount or, in Arizona, providing their own IntraLATA toll. Whichever toll provisioning arrangement Reseller selects (either USWC provided or IntraLATA toll self provisioned by the Reseller) shall apply uniformly to all lines resold by the Reseller.

**APPENDIX B
DIRECTORY LISTINGS**

1. Scope.

a. Reseller White Pages Listing Service ("Listings") consists of USWC placing the names, addresses and telephone numbers of Reseller's end users in USWC's listing database, based on end user information provided to USWC by Reseller. USWC is authorized to use Listings in Directory Assistance (DA) and as noted in 1.D.i or 1.D.ii.

b. Reseller will provide in standard, format, and USWC will accept at no charge, one primary listing for each main telephone number belonging to Reseller's end users. Primary listings are as defined for USWC end users in USWC's general exchange tariffs. Reseller will be charged for privacy listings and premium listings, e.g., additional, foreign, cross reference, informational, etc., at USWC's general exchange listing tariff rates minus the applicable standard resale discount in each state.

c. USWC will furnish Reseller the Listings format specifications. USWC cannot accept Listings with advance completion dates.

d. Reseller grants USWC a non-exclusive license to incorporate Listings information into its directory assistance database. Reseller hereby selects one of two options for USWC's use of Listings and dissemination of Listings to third parties.

EITHER:

i. **Treat the same as USWC's end user listings -- No prior authorization** is needed for USWC to release Listings to directory publishers or other third parties. USWC will incorporate Listings information in all existing and future directory assistance applications developed by USWC. Reseller will authorize USWC to sell and otherwise make Listings available to directory publishers including USWC's publisher affiliate for inclusion in white pages published on USWC's behalf. USWC shall be entitled to retain all revenue associated with any such sales. Listings shall not be provided or sold in such a manner as to segregate end users by carrier.

OR:

ii. **Restrict to USWC's directory assistance -- Prior authorization required by Reseller for all other uses.** Reseller makes its own, separate agreements with USWC, third parties and directory publishers for all uses of its listings beyond DA. USWC will sell Listings to directory publishers (including USWC's publisher affiliate for inclusion in white pages published on USWC's behalf), other third parties and USWC products only after third party presents proof of Reseller's authorization. USWC shall be entitled to retain all revenue associated with any such sales. Listings shall not be provided or sold in such a manner as to segregate end users by carrier.

Reseller hereby selects Option: i or (ii)

e. To the extent that state tariffs limit USWC's liability with regard to Listings, the applicable state tariff(s) is incorporated herein and supersedes Section VII.G.,"Limitation of Liability", of this Agreement with respect to Listings only.

2. USWC Responsibilities.

USWC is responsible for maintaining Listings, including entering, changing, correcting, rearranging and removing Listings in accordance with Reseller orders. USWC will take

reasonable steps in accordance with industry practices to accommodate non-published and non-listed listings provided that Reseller has supplied USWC the necessary privacy indicators on such Listings.

USWC will include Reseller's Listings in USWC's Directory Assistance service to ensure that callers to USWC's Directory Assistance service have non-discriminatory access to Reseller's Listings.

USWC will incorporate Reseller's Listings provided to USWC in the white pages directory published on USWC's behalf, in accordance with Reseller's selection under Section 1.d. above.

3. Reseller Responsibilities.

a. Reseller agrees to provide to USWC its end user names, addresses and telephone numbers in a standard format, as specified by USWC.

b. Reseller will supply its ACNA/CIC or CLCC/OCN, as appropriate, with each order to provide USWC the means of identifying Listings ownership.

c. Reseller represents and warrants the end user information provided to USWC is accurate and correct. Reseller further represents and warrants that it has reviewed all Listings provided to USWC, including end user requested restrictions on use such as non-published and non-listed. Reseller shall be solely responsible for knowing and adhering to state laws or rulings regarding Listings (e.g., no solicitation requirements in the states of Arizona and Oregon, privacy requirements in Colorado), and for supplying USWC the applicable Listing information.

d. Reseller is responsible for all dealings with and on behalf of Reseller's end users, including:

i. All end user account activity, e.g., end user queries and complaints.

ii. All account maintenance activity, e.g., additions, changes, issuance of orders for Listings to USWC.

iii. Determining privacy requirements and accurately coding the privacy indicators for Reseller's end user information. If end user information provided by Reseller to USWC does not contain a privacy indicator, no privacy restrictions will apply.

iv. Any additional services requested by Reseller's end users.

APPENDIX C

ACCESS TO OPERATIONAL SUPPORT SYSTEMS (OSS)

USWC is developing a proposal for access to its Operational Support Systems (OSS) to meet the requirements of the FCC's 1st and 2nd Orders and to provide Reseller with electronic interfaces for pre-ordering, ordering, demand repairs and billing functions for Plain Old Telephone Services (POTS). These interfaces will also have the necessary mediation to protect the integrity of the network as well as allay any privacy concerns for end user information. The components described in this section are conceptual in nature and will be subject to change as the implementation process proceeds. There will be charges associated with the introduction of the interface and ongoing access to OSS operations which will include an initial access fee and an ongoing charge as described more fully below.

C.1 Operational Systems Interfaces - Interface Implementation Timetable

USWC's initial operational systems interfaces have been deployed and will support Pre-ordering, Ordering, Provisioning and Repair capabilities for POTS (non-design) services and Billing capabilities for most USWC product offerings. Subsequent phases of the plan incorporate the capabilities to support designed services for Pre-ordering, Ordering, Provisioning, and Maintenance and Repair. The specific features and functions are not discussed in this Agreement.

C.2 OSS Interface Design

C.2.1 USWC will develop OSS interfaces using an electronic gateway solution consistent with the design prescribed by the FCC, Docket 96-98, FCC 96-325, paragraph 527. These gateways will act as a mediation or control point between Reseller's and USWC's Operations Systems. Additionally, these gateways will provide security for the interface, protecting the integrity of the USWC network and its databases.

C.2.2 USWC proposes the use of the existing Electronic Data Interchange ("EDI") standard for the transmission of monthly local billing information. EDI is an established standard under the auspices of the American National Standards Institute/Accredited Standards Committee (ANSI/ASC) X12 Committee. A proper subset of this specification has been adopted by the Telecommunications Industry Forum (TCIF) as the "811 Guidelines" specifically for the purposes of telecommunications billing.

C.2.3 For the exchange of daily usage data, including third party billed, collect, and card calls, USWC will use the Bellcore EMR format for the records, using the Network Data Mover ("NDM"), otherwise also known as the Connect:Direct method to transmit the information to carriers.

C.3 Accessible OSS Functions

C.3.1 Pre-ordering

"Pre-Ordering" refers to the set of activities whereby a service representative dialogs with Reseller in order to obtain service availability. In today's environment, the pre-order process is performed in conjunction with placing an order. Packaged as a separate activity, pre-order consists of the following functions: verify an address, check service availability, and return end user service information. USWC will provide on-line capabilities to perform these functions. These functions are described as follows.

C.3.1.1 Address Verification

This transaction will verify the end user's address.

If the address does not match USWC records, the AVR transaction will return "partial match" addresses and/or help as appropriate to assist Reseller to properly identify the end user's address for verification.

Once the address is verified, the AVR transaction will return the valid address and the current status (working, non-working, or pending out) and the date the status was posted for each line at the address.

If USWC does not have a record of the address, Reseller will have to contact USWC to input the record before the order can be submitted.

Note:

C.3.1.1.1 No detailed facility information (i.e., cable pair) will be returned as part of this transaction.

C.3.1.1.2 Rural addresses will not be supported.

C.3.1.1.3 The AVQ/AVR transaction attributes currently don't reflect the attributes required to support the error scenarios.

C.3.1.2 Service Availability

This transaction will return the list of products and services available for resale in the central office serving a particular end user address. The USWC rates for the products and services will also be returned, but the Reseller discount will not be applied.

C.3.1.3 End User Service Information Request

Gives Reseller the ability to request a listing of services and features USWC is currently providing to an end user and the rates USWC is charging for such services.

C.3.1.4 View/Update Service Query/Service Request Response

Gives Reseller the ability to view or update an existing Service Request (SR).

C.3.1.5 Store Service Request

This transaction allows an Reseller user to store a new or existing SR.

This SR can be stored for the number of days specified in USWC's methods and procedures before the SR must be submitted to USWC as a Work Order.

USWC will store the SR on-line until the associated Work Order is canceled by Reseller or completed by USWC.

C.3.2 Ordering

With the pre-ordering steps completed, the requisite information will have been obtained from Reseller and the initiation of a service order can begin. Submitting a service order will result in the provisioning and installation, if necessary, of an end user's service. The functional set required to order service is: open a service order, check facility availability, reserve an appointment if technician work is required in the field or at the end user's premises, reserve a telephone number if appropriate, cancel a service order, change a service order, send a firm order confirmation, support for work order status queries, and send notification of order completion.

C.3.2.1 Facility Availability

For each new line requested, this transaction will indicate if existing facilities are available or if new facilities are required, and if a technician must be dispatched to provide the facilities requested at the end user's address.

This transaction must be executed for any new line(s) requested.

Note:

C.3.2.1.1 This transaction does not reserve facilities and does not guarantee that facilities will be available when the work order is submitted.

C.3.2.1.2 USWC will automatically execute this transaction as part of order processing, any time a new line or transfer line is requested.

C.3.2.2 Telephone Number Availability

Enables a telephone number (TN) to be assigned to a line. Reseller will be able to accept the TN or exchange the TN for two other TNs. If the end user requests a specific number or a vanity number, Reseller must call the USWC Number Assignment Center (NAC) and the request will be handled manually. Reseller will not have direct access to the telephone number assignment system.

C.3.2.3 Exchange Telephone Numbers/Response

Enables Reseller to exchange the TN returned by the Telephone Number Availability Transaction for two more TNs. Reseller must select one of the three TNs to proceed with the Work Order.

C.3.2.4 Return Telephone Numbers

Enables Reseller to reject the TNs returned by the Telephone Number Availability transaction and the TNs will be returned to the pool.

C.3.2.5 Telephone Number Accept

Allows Reseller to reserve one telephone number returned by the Telephone Number Availability transaction for a period of one (1) day so that the end user can be informed of the TN(s) prior to the actual submission of a Work Order. The Work Order must be submitted before the TN expires, otherwise the TN will be returned to the available pool of TNs.

C.3.2.6 Appointment Availability

Allows Reseller to select an appointment from a calendar of available appointments. Reseller will not have direct access to the system but USWC will automatically execute this transaction after the Work Order has been submitted and a technician must be dispatched.

C.3.2.7 Appointment Reservation

Enables Reseller to reserve an available appointment after the appointment availability calendar has been returned to Reseller by USWC. USWC will return a confirmation number.

C.3.2.8 Work Order/Firm Order Completion

The work order provides the information and actions required for USWC to provision products, services and features. This transaction will also be used to cancel and change existing work orders. The information contained in a work order identifies Reseller, the end user desired due date, the service

being requested, the order type (only change and migration to Reseller), POA (Proof of Authorization), class of service, telephone number and additional information needed to successfully provision the requested service to the end user.

Once a work order is accepted by USWC, the assigned service order number will be returned to Reseller. This may not happen in real time. Reseller can then use the service order number to status the work order. Firm Order Confirmation means that USWC has received the order and assigned an order number for tracking. It does not mean that edits have been applied, so errors may still exist on the order.

C.3.2.9 Status Query/Response

This transaction will allow Reseller to obtain the status of a work order. USWC will return the current status, remarks and due date for specified work order.

Note: This status request is issued by Reseller on demand. Real Time Order Completion and Jeopardy Notification is not proactively issued by USWC.

C.3.2.10 Order Completion Report

Provides Reseller with a daily (Monday - Saturday) report, electronically, that identifies all work orders that were completed by USWC on that date. This report is called the Co-Provider Completion Report.

C.3.3 Repair

Repair functions allow Reseller to report trouble with communications circuits and services provided by USWC. The functions, processes and systems used in repair are based on a Trouble Report (TR), which is an electronic document maintained in one or more Operations Systems. A TR contains information about the end user, the trouble, the status of the work on the trouble and the results of the investigation and resolution efforts. These business processes have been summarized and will be made available to Reseller in the following functional set: open a trouble report, cancel a trouble report, send notification of status change and close a trouble report.

C.3.3.1 Verify Request

This transaction will be used to verify vertical features the end user currently owns. Technical discussions (e.g., Security) are currently ongoing within USWC as to how to provide this capability.

C.3.3.2 Open Trouble Report

Gives Reseller the capability to open a TR with USWC.

C.3.3.3 Open Trouble Report Response

Gives Reseller the capability to the Open TR request and contains information about the TR that Reseller needs to track or to convey to Reseller's end user.

C.3.3.4 Completion Notification

Provides notification to Reseller that a TR has been closed because the trouble was resolved.

C.3.3.5 Cancel Trouble Report Instruction

Allows Reseller to cancel a previous opened TR.

C.3.3.6 Status Change Notification

Provides Notification to Reseller that the status of a previously opened TR has changed.

C.4 Billing Interfaces

USWC offers interfaces for the exchange of several types of billing data:

- Monthly Billing Information,
- Daily Usage Data,
- Local Account Maintenance Report,
- Centralized Message Distribution System (CMDS) messages,
- Routing of in-region intraLATA collect, calling card, and third number billed messages.

C.4.1 Monthly Billing Information

Includes all connectivity charges, credits, and adjustments related to network elements and USWC-provided local service.

C.4.2 Daily Usage Data

The accumulated set of call information for a given day as captured, or "recorded," by the network switches. USWC will provide this data to Reseller with the same level of precision and accuracy it provides itself. Such precision cannot and will not exceed the current capabilities of the software in the switches today.

C.4.3 Local Account Maintenance Report

The list of phone numbers to which the carrier is no longer providing service since the last report.

C.4.4 Centralized Message Distribution System ("CMDS")

Distribution of CMDS messages for Reseller end users.

C.4.5 Routing of In-region IntraLATA Collect, Calling Card, and Third Number Billed Messages

USWC will distribute in-region intraLATA collect, calling card, and third number billed messages to Reseller and exchange with other Co-Providers operating in region in a manner consistent with existing inter-company processing agreements. Whenever the daily usage information is transmitted to a carrier, it will contain the records for these types of calls as well.

C.5 Compensation

- #### C.5.1 Compensation for OSS access will consist of an initial access fee which will be determined based on the specific access engineered and implemented for Reseller and is a function of the numbers of Reseller business office and repair service representatives accessing the system. The fee will include costs for hardware (if purchased through USWC), software (which must be purchased through USWC), telecommunications links and labor incurred to establish the interfaces to USWC's OSS for Reseller. The costs will be substantiated by purchasing invoices for the communications and computing hardware and software, and by time reports for the labor expended in their design and

implementation. Labor will be billed at the prevailing rates for contract labor for similar services.

C.5.2 The ongoing charge will be billed at a rate to be specified by the Commission at the completion of an appropriate cost study hearing.

PREFERRED CARRIER SERVICES, INC.
FINANCIAL STATEMENTS FOR ARIZONA OPERATIONS
ATTACHMENT E

NOT APPLICABLE

PREFERRED CARRIER SERVICES, INC.

FORMAL COMPLAINT PROCEEDINGS

ATTACHMENT F

Preferred Carrier Services, Inc. ("PCS") provides long distance service in New York under authority granted by the New York Public Service Commission ("NYPSC"). It was issued a Show Cause Order (Case 97-C-1156) by the NYPSC on July 24, 1997 (see attached order) in response to complaints received by the NYPSC from PCS customers concerning the unauthorized changing of their long distance provider. PCS voluntarily ceased all marketing activities generating such complaints in early 1997. By the last quarter of 1997, the complaints virtually ceased. In response to PCS' unilateral decision to terminate its marketing efforts prior to its review of such activities, the NYPSC approved PCS' plan to avoid similar complaints in the future and imposed no administrative penalty. The NYPSC Order Approving Plan, dated February 26, 1998, is also attached.

PCS is also the subject of an investigation by the Florida Public Service Commission ("Florida Commission") for complaints resulting from the same marketing activities that led to problems in New York. Again, however, these activities were terminated in response to complaints. In Florida, as in New York, PCS made the unilateral decision to terminate these activities prior to Florida Commission scrutiny. Likewise, in Florida, the fact that PCS' decision to terminate these activities has been successful has been independently verified by the reduction in the volume of complaints received by the Florida Commission. Though the volume of complaints is now nearly zero, any remaining complaints are resulting from previous activities. The Florida Commission has issued no show cause or similar order and taken no punitive action against PCS.

In both New York and Florida, such activities occurred prior to the acquisition of PCS by Phones For All, Inc. The current management of PCS was not involved in those marketing efforts.

STATE OF NEW YORK
PUBLIC SERVICE COMMISSIONAt a session of the Public Service
Commission held in the City of
New York on December 17, 1997

COMMISSIONERS PRESENT:

John F. O'Mara, Chairman
Maureen O. Helmer
Thomas J. DunleavyCASE 97-C-1156 - In the Matter of Slamming Complaints Received
Against Preferred Carrier Services, Inc.

ORDER APPROVING PLAN

(Issued and Effective February 26, 1998)

BY THE COMMISSION:

By order dated July 24, 1997, the Commission directed Preferred Carrier Services, Inc. ("PCS") to submit a plan to eliminate instances of slamming and thereby reduce the number of slamming complaints received by this Commission due to the acts of PCS or its agents. PCS holds a Certificate of Public Convenience and Necessity ("CPCN") to resell all forms of telephone service in New York and is subject to Commission jurisdiction.

PCS indicates that its investigation of the consumer complaints which prompted the Show Cause Order proved that most

of the slamming complaints filed were the result of one type of marketing program: display box promotions.

Although PCS believed that LOAs associated with its display box marketing program contained clear and concise language and contained no sweepstakes inducements, the company realized that the display box marketing promotion was the cause of significant customer confusion, resulting in numerous consumer complaints.

As a result of its investigation, PCS has terminated any further use of the display box marketing program. Since the cessation of this marketing technique, complaints against PCS have decreased. Additionally, PCS indicates it will thoroughly scrutinize all marketing materials proposed to be used by any of its independent marketers prior to their introduction into New York State to ensure that the materials educate and inform consumers about the choices and options offered.

DISCUSSION

Slamming is a serious consumer problem with a potential for substantial economic loss and customer inconvenience. It also creates consumer skepticism regarding the benefits of a competitive market and is direct threat to the competitive process. It violates federal and state laws and regulations and will not be tolerated.

PCS has addressed many of the problem areas which may lead to unauthorized carrier changes, including the termination

of the display box promotions, which seem to have led to the majority of complaints. Indeed, the level of complaints against PCS significantly declined during the last quarter of 1997. Since PCS has addressed our concerns, we will approve its plan as submitted.

While we have determined to approve PCS' plan, we note that our action is taken pending resolution of our rulemaking proceeding (Case 95-C-0806) in which we are developing rules to prevent slamming occurrences. The rules that are finally promulgated will set the minimum standards regarding instances of slamming and will apply to all intrastate operations. We also note that a new administrative penalty is available under the Public Service Law should our orders, rules, or regulations not be followed with respect to slamming. We shall continue to monitor PCS' performance with respect to slamming to ascertain whether the company's plan continues to reduce instances of slamming.

The Commission orders:

1. Preferred Carrier Services, Inc. is directed to cease submitting carrier change request orders or switching customers to it without legitimate authorization.
2. Preferred Carrier Services Inc.'s plan to reduce and eliminate slamming complaints to the Commission is approved.
3. This proceeding is continued.

By the Commission,

(SIGNED)

JOHN C. CRARY
Secretary

STATE OF NEW YORK
PUBLIC SERVICE COMMISSIONAt a session of the Public Service
Commission held in the City of
Albany on July 16, 1997

COMMISSIONERS PRESENT:

John F. O'Mara, Chairman
Eugene W. Zeltmann
Thomas J. Dunleavy
Maureen O. HelmerCASE 97-C-1156 - In the Matter of Slamming Complaints Received
Against Preferred Carrier Services, Inc.ORDER TO SHOW CAUSE AND
DIRECTING RESPONSE

(Issued and Effective July 24, 1997)

BY THE COMMISSION:

Preferred Carrier Services, Inc., holds a Certificate of Public Convenience and Necessity (CPCN) to resell all forms of telephone service in New York State. During the 12-month period from July 1, 1996, through June 30, 1997, the Consumer Services Division received 2,017 consumer complaints related to slamming. One percent of those complaints, or twenty-two complaints, were against Preferred Carrier Services, Inc., twenty of which were received in April, May and June, 1997.

Our analysis of eighteen of the twenty-two complaints found that the letters of authorizations (LOAs) provided by Preferred Carrier Services, Inc., contained incorrectly spelled names, incorrect addresses and telephone numbers, and/or non-authentic signatures. Some of the LOAs were obtained through sweepstakes display route boxes, a "sweepstakes" contest that entices consumers into signing purported sweepstakes entry forms. When staff queried Preferred Carrier Services, Inc., as to how these LOAs were obtained, its Director of Regulatory Affairs stated that the company had realized there was a problem with its marketer.

The analysis of the eighteen complaints and information provided by complainants, indicates the following:

Two complainants confirmed the signatures on the LOAs, but each thought he was only entering a contest for a prize when filling out the form.

Four LOAs were signed by someone other than the customer of record. Two of these were signed by children of the customer of record who are away at college and thought they were only entering a contest for a prize when filling out the form.

Five LOAs contained unauthentic signatures, three of which contained incorrectly spelled complainants' names. One of these complainants had legally changed his name two years ago, but the NYNEX telephone book

still shows his former name, with the last name listed as the first and the first listed as the last. This LOA shows the name as it appears incorrectly listed in the NYNEX telephone book.

Two LOAs showed different names, street, and city addresses than those of the complainants, but with the complainants' telephone numbers.

Two LOAs showed different telephone numbers, names, street, and city addresses than the complainants.

One case the company contends was a data entry error.

Two cases still are pending responses from Preferred Carrier Services, Inc.

DISCUSSION

The nature of the complaints against Preferred Carrier Services, Inc., raises questions regarding Preferred Carrier Services, Inc.'s, business and marketing practices. Whether the company or its sales and marketing agents or any subcontractors submit requests for carrier changes, the company bears the burden of ensuring that its new customers have knowingly and voluntarily chosen to switch to Preferred Carrier Services, Inc.'s, service.

Currently, all companies are obliged to follow the Federal Communications Commission's rules and procedures regarding customer transfers and verifications of change request orders. In addition, all telecommunications companies operating in the State of New York must comport with the Public Service Law, regulations adopted pursuant to the Public Service Law, and orders of this Commission.

Slamming directly violates a telephone corporation's affirmative duty to provide adequate as well as just and reasonable service (see Public Service Law Section 91[1]) and to charge just and reasonable rates (see Public Service Law Section 97[1]). Any act of slamming could result in a customer losing the benefits of the bargain it struck with the carrier of its choice, which could include monetary or other volume incentive awards, as well as customer inconvenience. Slamming increases customer cynicism and skepticism regarding the competitive market and is a direct threat to the competitive process. Slamming also increases the cost of doing business for the industry and uses scarce regulatory resources.

Preferred Carrier Services, Inc., appears to attempt to resolve customers' complaints by re-rating its bills for the period of time that the customer was on its service. If its rates are higher than the customer's previous long distance carrier, it returns the difference. It also issues credits for its \$2.98 monthly service charge and switching fees, if applicable. Most complainants indicated the company's rates are higher than their carrier of preference.

While on a monthly basis the percentage of complaints filed against Preferred Carrier Services, Inc., may be small, in aggregate, the number of complaints is significant. Preferred Carrier Services, Inc., continues to provide staff with responses to consumers' complaints, and appears to resolve complaints coming to the Commission. Nonetheless, Preferred Carrier Services, Inc., is hereby on notice that we continue to receive an unacceptably high level of slamming complaints against it from consumers.

Preferred Carrier Services, Inc., is directed to show cause within thirty days of this order, why the Commission should not find that Preferred Carrier Services, Inc., has acquired customers through slamming and why the Commission should not take action against Preferred Carrier Services, Inc., for slamming, which could include revoking Preferred Carrier Services, Inc.'s, CFCN, pursuing a penalty action against Preferred Carrier

Services, Inc., prohibiting Preferred Carrier Services, Inc., from offering or recovering payments for intrastate services, or other action. Preferred Carrier Services, Inc., is further directed to cease submitting carrier change requests for its service without legitimate authorization. In addition, Preferred Carrier Services, Inc., is directed to submit to the Commission, within thirty days of the Commission's order, its plans to reduce and eliminate slamming complaints.

The Commission orders:

1. Preferred Carrier Services, Inc., shall show cause, within thirty days of this order, why the Commission should not find that it has acquired customers through slamming, and why the Commission should not pursue action, as described above, against Preferred Carrier Services, Inc., for slamming.

2. Preferred Carrier Services, Inc., is directed to cease, without legitimate authorization, submitting carrier change request orders or switching customers to it.

3. Preferred Carrier Services, Inc., shall submit, to the Secretary to this Commission, within thirty days of this order ten copies of specific plans to reduce and eliminate slamming complaints.

4. This proceeding is continued.

By the Commission,

(SIGNED)

John C. Crary
Secretary

PREFERRED CARRIER SERVICES, INC.

FINANCIAL STATEMENTS

ATTACHMENT D

PREFERRED CARRIER SERVICES, INC.
STATEMENT OF OPERATIONS
(Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 1997

NET SALES	<u>\$9,935,095</u>
COST OF SALES	<u>8,959,781</u>
GROSS PROFIT	<u>975,314</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:	
Salaries and Wages	688,974
Payroll Taxes	43,912
Pension plan	8,020
Health insurance	15,851
Advertising and Promotions	400,233
Automobile expense	20,419
Bad Debt	21,133
Bank Service Charges	2,066
Billing Fees	23,716
Commission's	130,499
Consulting	94,366
Computer network services	29,511
Depreciation & Amortization	48,003
Dues and Subscriptions	19,735
Foreign corporation fees	11,597
Insurance	6,502
Office and data processing supplies	57,812
Postage & Shipping	27,576
Printing	17,616
Professional Fees	57,514
Rent	199,822
Repairs and Maintenance	7,956
Tariff information & filing fees	2,855
Taxes - property and other	27,085
Telephone & Answering Service	36,585
Trade shows	13,773
Travel and Entertainment	97,473
Miscellaneous Expense	19,277
Total Expense	<u>2,129,881</u>
NET INCOME (LOSS) FROM OPERATIONS	<u>(1,154,567)</u>
Interest Expense	16,663
Other Income	39,011
NET INCOME (LOSS) BEFORE TAXES	<u>(1,132,219)</u>

PREFERRED CARRIER SERVICES, INC.
BALANCE SHEET
(Unaudited)
DECEMBER 31, 1997

ASSETS

CURRENT ASSETS:	
Cash	\$106,206
Trade Accounts Receivable - Net	82,680
Prepaid Expenses	1,389
	<hr/>
Total Current Assets	190,275
PROPERTY AND EQUIPMENT:	
Furniture, Fixtures And Equipment	58,977
Computer Equipment	52,777
Software	4,100
	<hr/>
	115,854
Accumulated Depreciation and Amortization	18,977
	<hr/>
Property and Equipment, Net	96,877
OTHER ASSETS:	
	<hr/>
	0
Total Other Assets	<hr/>
	0
TOTAL ASSETS	<hr/> <hr/> \$287,152

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:	
Trade Accounts Payable	\$95,963
Other Accruals	26,062
Accrued Payroll and Taxes	79,191
Deferred Income Taxes	50,845
Intercompany Payable	951,643
	<hr/>
Total Current Liabilities	1,203,704
LONG-TERM DEBT:	
Long Term Debt	<hr/>
	0
Total Liabilities	<hr/>
	1,203,704
STOCKHOLDERS EQUITY:	
Common Stock of \$1 par value, 10,000 shares authorized; 5,000 shares issued and outstanding	1,000
Additional paid-in-capital	0
Retained Earnings	(917,552)
	<hr/>
Total Stockholders' Equity	(916,552)
TOTAL LIABILITIES & EQUITY	<hr/> <hr/> \$287,152

PREFERRED CARRIER SERVICES, INC.
STATEMENT OF OPERATIONS
(Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 1996

	YEAR TO DATE
NET SALES	<u>\$2,195,837</u>
COST OF SALES	<u>1,100,091</u>
GROSS PROFIT	<u>1,095,746</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:	
Salaries and wages	411,427
Payroll taxes	31,685
Pension Plan	7,767
Health insurance	13,834
Sales Commissions	26,240
Advertising and promotions	60,932
Automobile expense	20,272
Bank service charges	599
Seminars	2,302
Consulting	54,241
Depreciation & Amortization	34,807
Delivery	6,197
Dues and subscriptions	14,708
Employment fees	1,000
Insurance	3,368
Foreign corporation fees	9,640
Tariff Information	1,602
Certification Filing Fees	4,995
Office and data processing supplies	32,434
Postage	7,858
Printing	3,547
Professional fees	26,583
Rent	37,999
Repairs and maintenance	1,553
Telephone	20,251
Taxes - property and other	5,571
Trade shows	19,814
Travel and entertainment	45,058
Miscellaneous expense	13,944
Total Expense	<u>920,227</u>
NET INCOME FROM OPERATIONS	<u>175,519</u>
OTHER INCOME (EXPENSE):	<u>1,345</u>
NET INCOME (LOSS) BEFORE TAXES	<u>176,864</u>
FEDERAL INCOME TAXES	<u>52,227</u>
NET INCOME AFTER TAXES	<u><u>\$124,637</u></u>

PREFERRED CARRIER SERVICES, INC.

BALANCE SHEET

(Unaudited)

DECEMBER 31, 1996

ASSETS

CURRENT ASSETS:

Cash	\$240,107
Trade Accounts Receivable	131,250
Prepaid Expenses	18,767
Other Receivables	6,468
Deposits	6,372
Total Current Assets	<u>402,965</u>

PROPERTY AND EQUIPMENT:

Furniture and Fixtures	38,117
Computer Equipment	34,418
Office Equipment	13,303
Leasehold Improvements	1,705
	<u>87,542</u>

Accumulated Depreciation and Amortization 45,135

Property and Equipment, Net 42,407

Other Assets 20,000

\$465,372

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Trade Accounts Payable	\$5,262
Other Accruals	17,082
Accrued Taxes and Payroll	1,123
Unearned Revenue	169,175
Deferred Income Taxes	57,062
Loans from Shareholders	0
Total Current Liabilities	<u>249,704</u>

LONG-TERM DEBT:

Long Term Debt 0

Total Liabilities 249,704

STOCKHOLDERS EQUITY:

Common Stock of \$0 par value, 100,000 shares authorized; 1,000 shares issued and outstanding	1,000
Additional paid-in-capital	0
Retained Earnings	214,668
Total Stockholders' Equity	<u>215,668</u>

\$465,372

PHONES FOR ALL, INC.
STATEMENT OF OPERATIONS
(Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 1997

NET SALES	<u>\$0</u>
COST OF SALES	<u>0</u>
GROSS PROFIT	<u>0</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:	
Salaries and Wages	105,050
Payroll Taxes	8,090
Health insurance	9,393
Advertising and Promotions	115,758
Automobile expense	1,021
Bank Service Charges	695
Consulting	60,303
Computer network services	4,653
Depreciation & Amortization	1,668
Dues and Subscriptions	240
Insurance	2,606
Office and data processing supplies	6,489
Postage & Shipping	4,417
Printing	3,472
Professional Fees	16,931
Rent	15,988
Repairs and Maintenance	1,033
Telephone & Answering Service	8,540
Travel and Entertainment	64,104
Miscellaneous Expense	1,777
Total Expense	<u>432,228</u>
NET INCOME (LOSS) FROM OPERATIONS	<u>(432,228)</u>
Interest Expense	31,905
NET INCOME (LOSS) BEFORE TAXES	<u><u>(464,133)</u></u>

PHONES FOR ALL, INC.
BALANCE SHEET
(Unaudited)
DECEMBER 31, 1997

ASSETS

CURRENT ASSETS:	
Cash	\$22,782
Intercompany Receivables	951,643
	<hr/>
Total Current Assets	974,425
PROPERTY AND EQUIPMENT:	
Furniture, Fixtures And Equipment	5,250
Computer Equipment	4,575
	<hr/>
	9,825
Accumulated Depreciation and Amortization	1,668
	<hr/>
Property and Equipment, Net	8,157
OTHER ASSETS:	
Deposits	8,377
Investment In Subsidiary	1,100,000
	<hr/>
Total Other Assets	1,108,377
TOTAL ASSETS	<u><u>\$2,090,959</u></u>

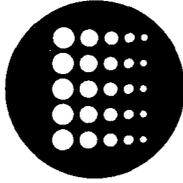
LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:	
Trade Accounts Payable	\$55,360
Other Accruals	55,032
Line of Credit	2,439,700
	<hr/>
Total Current Liabilities	2,550,092
LONG-TERM DEBT:	
Long Term Debt	0
	<hr/>
Total Liabilities	2,550,092
STOCKHOLDERS EQUITY:	
Common Stock of \$1 par value, 10,000 shares authorized; 5,000 shares issued and outstanding	5,000
Additional paid-in-capital	0
Retained Earnings	(464,133)
	<hr/>
Total Stockholders' Equity	(459,133)
TOTAL LIABILITIES & EQUITY	<u><u>\$2,090,959</u></u>

PREFERRED CARRIER SERVICES, INC.

PARENT GUARANTY

ATTACHMENT G



PHONES FOR ALL,SM L.L.C.

*Local Phone Service
Long Distance Service*

June 24, 1998

Arizona Corporation Commission
Docket Control Center
1200 West Washington Street
Phoenix, AZ 85007-2927

Re: Parent Guaranty Obligations for Preferred Carrier Services, Inc.

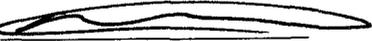
Dear Commission:

This letter of guaranty is being issued by Phones For All, Inc. ("PFA"), a Delaware corporation, on behalf of its wholly-owned subsidiary Preferred Carrier Services, Inc. ("PFA"), a Texas corporation. This guaranty is issued in connection with the application of PCS to provide competitive local exchange service throughout the state of Arizona.

PFA guaranties that it will provide sufficient financial backing to continue services to local exchange customers of PCS who have paid for such services if PCS experienced a net loss or business failure. PFA also guaranties repayment of customers' advances, prepayments or deposits held by PCS if PCS cannot provide service or repay the deposits. The foregoing guaranty is limited in its scope to the provision by PCS of local exchange service in the State of Arizona and to the contingencies specified in this letter.

Very truly yours,

Phones For All

By: 

Printed Name: Roberto Sidi
Title: President

PREFERRED CARRIER SERVICES, INC.

ARTICLES OF INCORPORATION

ATTACHMENT H



The State of Texas

Secretary of State

DEC. 12, 1994

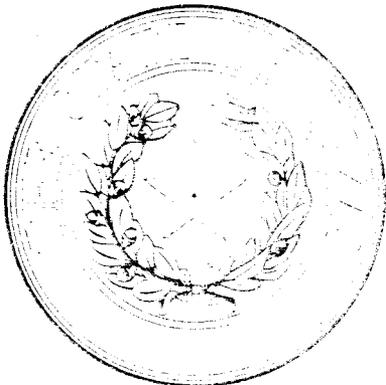
DIANE G. HARDEN
1425 GREENWAY DR., STE. 210
IRVING ,TX 75038

RE:
PREFERRED CARRIER SERVICES, INC.
CHARTER NUMBER 01336305-00

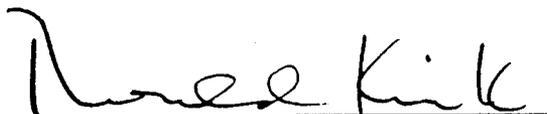
IT HAS BEEN OUR PLEASURE TO APPROVE AND PLACE ON RECORD THE ARTICLES OF INCORPORATION THAT CREATED YOUR CORPORATION. WE EXTEND OUR BEST WISHES FOR SUCCESS IN YOUR NEW VENTURE.

AS A CORPORATION, YOU ARE SUBJECT TO STATE TAX LAWS. SOME NON-PROFIT CORPORATIONS ARE EXEMPT FROM THE PAYMENT OF FRANCHISE TAXES AND MAY ALSO BE EXEMPT FROM THE PAYMENT OF SALES AND USE TAX ON THE PURCHASE OF TAXABLE ITEMS. IF YOU FEEL THAT UNDER THE LAW YOUR CORPORATION IS ENTITLED TO BE EXEMPT YOU MUST APPLY TO THE COMPTROLLER OF PUBLIC ACCOUNTS FOR THE EXEMPTION. THE SECRETARY OF STATE CANNOT MAKE SUCH DETERMINATION FOR YOUR CORPORATION.

IF WE CAN BE OF FURTHER SERVICE AT ANY TIME, PLEASE LET US KNOW.



VERY TRULY YOURS,

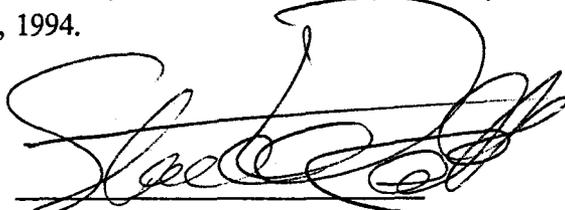

Secretary of State

ARTICLE XII

The name and address of the incorporator is:

NAME	ADDRESS
W. Steven Walker	1425 Greenway Drive, Suite 210 Irving, Texas 75038

IN WITNESS WHEREOF, I have hereunto set my hand this 8 day of December, 1994.


W. Steven Walker

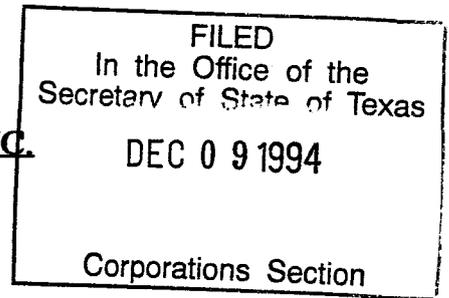
STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared W. Steven Walker, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he has executed the same for purposes and considerations therein expressed and in the capacity herein stated.

Given under my hand and seal of office this the 8 day of December, 1994.


Notary Public in and for
the State of T E X A S

**ARTICLES OF INCORPORATION
OF
PREFERRED CARRIER SERVICES INC.**



I, the undersigned, being a natural person of the age of twenty-one (21) years or more and a citizen of the State of Texas, acting as incorporator of a corporation under the Texas Business Corporation Act, do hereby adopt the following Articles of Incorporation for such corporation:

ARTICLE I

The name of the corporation is PREFERRED CARRIER SERVICES, INC.

ARTICLE II

The period of its duration is perpetual.

ARTICLE III

The purpose of purposes for which the corporation is organized are as follows:

For any lawful purpose.

To do everything necessary, proper, advisable or convenient for the accomplishment or furtherance of such purpose or purposes, provided the same be not prohibited by the laws of the State of Texas.

ARTICLE IV

The aggregate number of shares that the corporation shall have authority to issue is 100,000 without par value. Each share of stock shall have identical rights and privileges in every respect.

ARTICLE V

The corporation will not commence business until it has received for the issuance of its shares consideration of the value of One Thousand Dollars (\$1,000.00), consisting of money, labor performed or property actually received.

ARTICLE VI

No shareholder of the corporation shall be entitled to any preemptive or preferential rights to subscribe for and purchase a proportionate part of additional shares issued by the Corporation.

ARTICLE VII

Section 7.1 The corporation shall indemnify, to the extent provided in Section 7.2, 7.4 and 7.6:

1. Any person who is or was a director, officer, agent or employee of the corporation, and
2. Any person who serves or served at the corporation's request as a director, officer, agent, employee, partner or trustee of another corporation or of a partnership, joint venture, trust or other enterprise.

Section 7.2 In case of a suit by or in the right of the corporation against a person named in Section 7.1, by reason of his or her holding a position named in Section 7.1, the Corporation shall indemnify such person, provided that the standard in Section 7.3 is satisfied, for expenses (including actually and reasonably incurred by such person in connection with the defense or settlement of the suit.

Section 7.3 In case of a suit by or in the right of the corporation, a person named in Section 7.1 shall be indemnified only if such person:

1. Is successful on the merits or otherwise, or
2. Acted in good faith in the transaction which is subject of the suit, and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation. However, such person shall not be indemnified in respect to any claim, issue or matter as to which he or she has been adjudged liable for negligence or misconduct in the performance of a duty to the corporation unless (and only to the extent that) the court in which the suit was brought shall determine, upon application, that, despite the adjudication but in view of all the circumstances, such person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

Section 7.4 In case of a suit, action or proceeding whether civil, criminal, administrative, or investigative, other than a suit by or in the right of the corporation, together hereafter referred to as a nonderivative suit, against a person named in Section 7.1, the corporation shall indemnify such person, provided that the standard in Section 7.5 is satisfied, for the amount actually and reasonably incurred in connection with the defense or settlement or the nonderivative suit as:

1. Expenses (including attorney's fees);
2. Amounts paid in settlement;
3. Judgment, and
4. Fines.

Section 7.5 In case of a nonderivative suit, a person named in Section 7.1 shall be indemnified only if he or she:

1. Is successful on the merits or otherwise, or

2. Acted in good faith in the transaction which is the subject of the nonderivative suit, and in a manner reasonably believed by such person to be in, or not opposed to, the best interests of the corporation and, with respect to any criminal action or proceeding, had no reason to believe his conduct was unlawful. The termination of a nonderivative suit by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person failed to satisfy the standard of this Section 7.5.2

Section 7.6 A determination that the standard of Section 7.3 of 7.5 has been satisfied may be made by a Court, or, except as stated in Section 7.5., (second sentence) the determination may be made by:

1. A majority of the directors of the corporation (whether or not a quorum) who were not parties to the action, suit or proceeding;
2. Independent legal counsel in a written opinion; or
3. The shareholders of the corporation.

Section 7.7 Anyone making a determination under Section 7.6 may determine that a person has met the standard as to some matters but not as to others, and may reasonably prorate amounts to be indemnified.

Section 7.8 The corporation may pay in advance any expenses (including attorney's fees) which may become subject to indemnification under Section 7.1 through 7.8 if:

1. The Board of Directors authorized the specific payment, and
2. The person receiving the payment undertakes in writing to repay the amount so advanced in full unless it is ultimately determined that he is entitled to indemnification by the corporation under Section 7.1 through Section 7.8.

Section 7.9 The indemnification provided by Section 7.1 through Section 7.8 shall not be exclusive of any other rights to which a person may be entitled by law, bylaw, agreement, vote of shareholders or disinterested directors or otherwise.

Section 7.10 The indemnification and advance payment provided by Section 7.1 through Section 7.8 shall continue as to a person who has ceased to hold a position named in Section 7.1 and shall inure to his or her heirs, executors and administrators.

Section 7.11 The corporation may purchase and maintain insurance on behalf of any person who holds or who has held any position named in Section 7.1, against any liability incurred in any such position or arising out of his or her status as such, whether or not the corporation would have power to indemnify such person against such liability under Section 7.1 through 7.8.

Section 7.12 Indemnification payments, advance payments and insurance payments made under Section 7.1 through Section 7.11 shall be reported in writing to the shareholders of the corporation with the next notice of annual meeting or within six (6) months, whichever is sooner.

ARTICLE VIII

Except to the extent the power to amend created herein may be modified or divested by an action of the shareholders representing the majority of the issued and outstanding shares of the capital stock of the corporation taken at any regular or special meeting of the shareholders, the power to adopt, alter, amend or repeal the Bylaws of the Corporation shall be vested in the Board of Directors.

ARTICLE IX

Cumulative voting is expressly prohibited.

ARTICLE X

The office address of the initial registered office of the corporation is 1425 Greenway Drive, Suite 210, Irving, Texas 75038, and the name of its initial registered agent at such address is W. Steven Walker.

ARTICLE XI

The number of directors constituting the initial Board of Directors is one (1), and the name and address of the person(s) who is/are to serve as director(s) until the first meeting of the shareholders, or until his/her/their successors are elected and qualified, is/are:

NAME	ADDRESS
Jamie Thibodeaux	2009 Kyle Court Colleyville, Texas 76034

PREFERRED CARRIER SERVICES, INC.
FOREIGN CORPORATION AUTHORIZATION
ATTACHMENT I



The State of Texas
Secretary of State

CERTIFICATE OF INCORPORATION
OF

PREFERRED CARRIER SERVICES, INC.
CHARTER NUMBER 01336305

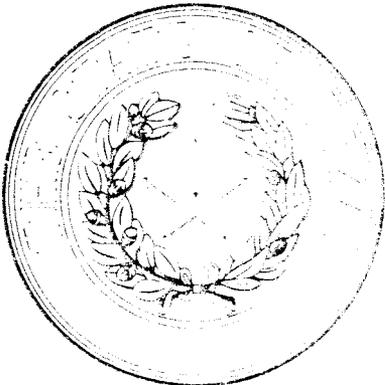
THE UNDERSIGNED, AS SECRETARY OF STATE OF THE STATE OF TEXAS,
HEREBY CERTIFIES THAT THE ATTACHED ARTICLES OF INCORPORATION FOR THE
ABOVE NAMED CORPORATION HAVE BEEN RECEIVED IN THIS OFFICE AND ARE
FOUND TO CONFORM TO LAW.

ACCORDINGLY, THE UNDERSIGNED, AS SECRETARY OF STATE, AND BY VIRTUE
OF THE AUTHORITY VESTED IN THE SECRETARY BY LAW, HEREBY ISSUES THIS
CERTIFICATE OF INCORPORATION.

ISSUANCE OF THIS CERTIFICATE OF INCORPORATION DOES NOT AUTHORIZE
THE USE OF A CORPORATE NAME IN THIS STATE IN VIOLATION OF THE RIGHTS OF
ANOTHER UNDER THE FEDERAL TRADEMARK ACT OF 1946, THE TEXAS TRADEMARK LAW,
THE ASSUMED BUSINESS OR PROFESSIONAL NAME ACT OR THE COMMON LAW.

DATED DEC. 9, 1994

EFFECTIVE DEC. 9, 1994




Secretary of State

RENZ D. JENNINGS
CHAIRMAN

MARCIA WEEKS
COMMISSIONER

CARL J. KUNASEK
COMMISSIONER



JAMES MATTHEWS
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION

5-30-96

RE: PREFERRED CARRIER SERVICES, INC.

We are pleased to notify you that your Application for Authority to transact business in Arizona was approved and filed on 5-30-96.

You must publish a copy of your Application for Authority WITHIN SIXTY (60) DAYS from the File Date. The publication must be in a newspaper of general circulation in MARICOPA County, for three (3) consecutive publications. An Affidavit from the newspaper, evidencing such publication, must be delivered to the Commission for filing WITHIN NINETY (90) DAYS from the File Date.

All corporations transacting business in Arizona are required to file an Annual Report with the Commission, no later than the 15th day of the fourth (4th) month following the close of each fiscal year. Your fiscal year end is 12-31-96. A preprinted Annual Report form will be mailed to you prior to the due date of the report.

Your first Annual Report will be due on 4-15-97.

If you have any questions or need further information, please contact us at (602)542-3135 or Toll Free (Arizona residents only) 1-800-345-5819.

Very truly yours,

LUANN GILMORE

Examiner Technician
Corporate Filings Section
Corporations Division

APR 8 2 56 PM '96

FILED BY L. Hime
DATE FILED 5-22-96
TERM _____
DATE _____ TIME _____

APPLICATION FOR AUTHORITY

F-0774405-0

Preferred Carrier Services, Inc.

Exact Corporate Name

TO: ARIZONA CORPORATION COMMISSION

PURSUANT TO THE PROVISIONS OF SECTIONS 10-110, 10-111 and 10-118, ARIZONA BUSINESS CORPORATION ACT, THE UNDERSIGNED CORPORATION HEREBY APPLIES FOR AUTHORITY TO TRANSACT BUSINESS IN ARIZONA.

FIRST: This application is:

- (1) An original application pursuant to A.R.S. Sec. 10-110.
- (2) An application for new authority pursuant to A.R.S. Sec. 10-118 as a result of:

- (a) A change in the corporation's name as set forth in the second paragraph.
- (b) A desire to pursue in this State different or additional purposes than those set forth in the corporation's prior Application for Authority as more fully described in the ninth paragraph herein.

SECOND: The name of the corporation is: Preferred Carrier Services, Inc.

THIRD: If the name of the corporation does not contain the word "association", "bank", "corporation", "company", "incorporated" or "limited" or does not contain an abbreviation of one of such words, then the name of the corporation with the word or abbreviation which it elects to add thereto for use in ARIZONA is:

FISCAL YEAR END: December 31

ARIZONA CORPORATION COMMISSION
INCORPORATING DIVISION

CERTIFICATE OF DISCLOSURE
A.R.S. Sections 10-128 & 10-1084

Preferred Carrier Services, I

EXACT CORPORATE NAME

CHECK APPROPRIATE BOX(ES) A or B
ANSWER "C"

THE UNDERSIGNED CERTIFY THAT:

A. No persons serving either by elections or appointment as officers, directors, incorporators and persons controlling, or holding more than 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation:

1. Have been convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
2. Have been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraining the trade or monopoly in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
3. Have been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven-year period immediately preceding the execution of this Certificate where such injunction, judgment, decree or permanent order:
- (a) Involved the violation of fraud or registration provisions of the securities laws of that jurisdiction; or
 - (b) Involved the violation of the consumer fraud laws of that jurisdiction; or
 - (c) Involved the violation of the antitrust or restraint of trade laws of that jurisdiction.

B. For any person or persons who have been or are subject to one or more of the statements in Items A.1 through A.3 above, the following information MUST be attached:

-
- 1. Full name and prior name(s) used.
 - 2. Full birth name.
 - 3. Present home address.
 - 4. Prior addresses (for immediate preceding 7-year period).
 - 5. Date and location of birth.
 - 6. Social Security number.
 - 7. The nature and description of each conviction or judicial action, date and location, the court and public agency involved and file or cause number of case.

STATEMENT OF BANKRUPTCY, RECEIVERSHIP OR REVOCATION

A.R.S. Sections 10-128.01 and 10-1083

C. Has any person serving (a) either by election or appointment as an officer, director, trustee or incorporator of the corporation or, (b) major stockholder possessing or controlling any proprietary, beneficial or membership interest in the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked? YES _____ NO X

IF YOUR ANSWER TO THE ABOVE QUESTION IS "YES", YOU MUST ATTACH THE FOLLOWING INFORMATION FOR EACH CORPORATION:

- 1. Name and address of the corporation.
- 2. Full name, including alias and address of each person involved.
- 3. State(s) in which the corporation:
 - (a) Was incorporated.
 - (b) Has transacted business.
- 4. Dates of corporate operation.
- 5. A description of the bankruptcy, receivership or charter revocation, including the date, court or agency involved and the file or cause number of the case.

Under penalties of law, the undersigned incorporators/Officers declare that we have examined this Certificate, including any attachments, and to the best of our knowledge and belief it is true, correct and complete.

BY Jamie Thibodeaux DATE _____

TITLE Jamie Thibodeaux - President

BY _____ DATE _____

TITLE _____

BY Alan Smith DATE 3/5/96

TITLE Alan Smith - Vice President

BY _____ DATE _____

TITLE _____

NOTE: If the Corporation has been in existence for more than sixty (60) days, the Certificate must be signed by two (2) executive officers or directors.

FISCAL DATE: 12/31

FOURTH: It is incorporated under the laws of Texas

FIFTH: The date of its incorporation is December 9, 1994
 and the period of its duration is Perpetual

SIXTH: The address of its principal office in the jurisdiction under the laws of the state or county in which it is incorporated is: 1425 Greenway Drive, Suite 210
Irving, Texas 75038

SEVENTH: The address of the proposed known place of business in Arizona is:
 In care of Statutory Agent.

EIGHTH: The name of the proposed statutory agent in Arizona is:
The Prentice-Hall Corporation
7037 North 11th Street, Phoenix, Arizona 85020

NINTH: A brief statement of the character of the business which the corporation initially intends to conduct in Arizona and the purpose for which the corporation is organized is:
telecommunications service

and the transaction of all lawful business for which corporations may be incorporated under the Arizona Business Corporation Act.

TENTH: The names and respective addresses of its directors and officers are:

NAME	OFFICE	ADDRESS	DATE OF TAKING OFFICE
Jamie Thibodeaux	President	1425 Greenway Dr. #210 Irving, Texas 75038	December 9, 1994
Alan Smith	Vice President	1425 Greenway Dr. #210 Irving, Texas 75038	June 15, 1995
Alan Smith	Secy./Treas.	1425 Greenway Dr. #210 Irving, Texas 75038	June 15, 1995
Jamie Thibodeaux	Director	1425 Greenway Dr. #210 Irving, Texas 75038	December 9, 1994

ELEVENTH: The aggregate number of shares which it is authorized to issue, itemized by class, par value of shares shares without par value, and series, if any, within a class is:

Number of Shares	Class	Series	Par Value Per Share or Statement That Shares Are Without Par Value
100,000	Common	-	without par value

TWELFTH: The aggregate number of its issued shares, itemized by class, par value of shares, shares without par value, and series, if any, within a class is:

Number of Shares	Class	Series	Par Value Per Share or Statement That Shares Are Without Par Value
1,000	Common	-	without par value

THIRTEENTH: The amount of its stated capital, as defined in the Arizona Business Corporation Act is:
\$ 1,000.00

FOURTEENTH:

The application is accompanied by a copy of its Articles of Incorporation and all amendments thereto, duly authenticated within 60 days of delivery of these documents, by the proper officer of the State or County under the laws of which it is incorporated.

FIFTEENTH:

Has any person(s):(a) serving either by election or appointment as an officer, director or trustee, incorporator of the corporation, (b) controlling or holding 20% of the propriety, beneficial or membership interest in the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked?

YES _____ NO X

If your answer to the above question is "YES", you MUST attach the following information for each such corporation:

1. Name and address of the corporation
2. Full name, including alias(es) and address(es) of each person or person(s) involved.
3. State(s) in which the corporation:
 - (a) Was incorporated
 - (b) Has transacted business
4. Dates of corporate operation
5. A description of the bankruptcy, receivership or charter revocation, including the date, the court agency involved, and the file or cause number of the case.

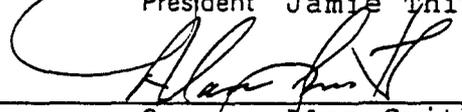
SIXTEENTH:

Under penalties of law, I declare that I will comply with the provisions of A.R.S. Sec. 10-128.01.

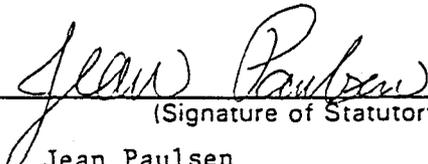
Under penalties of law, I declare that I have examined this application and to the best of my knowledge and belief it is true, correct and complete.

Preferred Carrier Services, Inc.
(CORPORATE NAME)

By: 
President Jamie Thibodeaux

By: 
Secretary Alan Smith

I, The Prentice-Hall Corporation System, Inc. having been designated to act as Statutory Agent, hereby consent to act in that capacity until removed or resignation is submitted in accordance with the Arizona Revised Statutes.

By: 
(Signature of Statutory Agent)

Jean Paulsen
Client Specialist

PREFERRED CARRIER SERVICES, INC.

OPERATIONAL EXPERIENCE

ATTACHMENT J

PCS has vast technical and operational experience in providing telecommunications services. It is authorized to provide interexchange service in 49 states and local exchange service in 29 states. PCS has successfully provided telecommunications services to consumers for over two years. Its operational and managerial staff have the telecommunications experience necessary to ensure the continued provision of local exchange services within the state of Arizona.

Roberto Sidi, President, CEO

Mr. Sidi has extensive international business and marketing experience. From 1992 to 1994 he served as the Vice President of IAR Plc., a trading company based in Geneva, Switzerland. In 1994, under a licensing agreement with Time Warner, Mr. Sidi marketed and distributed World Cup USA apparel into more than 4,000 retail locations in the United States and Mexico, including J.C. Penney, Macy's, Target, Sears and others. Mr. Sidi is fluent in five languages.

Alan Smith, Chief Financial Officer

Mr. Smith, a Certified Public Accountant since 1983, was CFO for Applicant prior to its purchase by Phones For All, Inc. in October 1997. Mr. Smith was also instrumental in the start up and development of PCS' telecommunications regulatory consulting division. From 1992 to 1995, Mr. Smith was Chief Financial Officer of Winstar Gateway Network, a subsidiary of Winstar Communications, Inc. From 1983 to 1992, Mr. Smith was Controller for two publicly held retail companies in the personal computer industry. Mr. Smith began his career as a senior auditor for Touche Ross & Company (now Deloitte & Touche) in 1980.

Jeffrey J. Walker, General Counsel

Mr. Walker received his Juris Doctor from Louisiana State University in 1994, where he was on the *Louisiana Law Review*. He received his BBA from Baylor University in 1990. He is a member of the Texas, Louisiana and American Bar Associations. Mr. Walker oversees PCS' state and federal regulatory issues as well as its day to day legal affairs. He has successfully filed for and obtained local exchange authority in most states of the U.S. Mr. Walker has concluded reseller agreements with BellSouth for service in Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee; with Southwestern Bell for service in Arkansas, Kansas, Missouri, Oklahoma and Texas; with GTE for service in Florida; and with Sprint/United for service in Texas and Florida. Mr. Walker has also addressed CompTel, ACTA, and the Indiana Bar Association on various aspects of

local competition.

Edward Romo, Vice President Marketing

Mr. Romo has extensive experience in telecommunications marketing and, prior to that, in real estate development and marketing. Since September 1996 Mr. Romo has worked with PCS to establish successful retail distribution channels with major retailers for its local exchange service products. Mr. Romo was Vice President of Marketing for International Telecom Group, Inc., a prepaid calling card manufacturer and distributor in Dallas, Texas, from 1994 to 1996. Mr. Romo has experience in the development of retail distribution channels in the calling card industry.

Brian Moss, Director of Operations

Mr. Moss has more than seven years of experience in telecommunications operations management. He has worked with billing and debit card platforms, managed AS/400 systems, created operating procedures for network operations and developed internal provisioning systems to track order placement, customer care response and account termination. Prior to joining PCS, Mr. Moss served as Network Operations Manager for Global Telemedia International, Inc. Mr. Moss also served as the Provisioning Systems Analyst and Software Project Manager for Winstar Gateway Communications, a \$900 million long distance and wireless communications provider.