BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

In The Matter of the Consolidated Case Regarding Applications for Authority to Establish Operator Services	)))	Case No. TA-88-218

PREFILED DIRECT TESTIMONY OF PAUL FREELS

INTERNATIONAL TELECHARGE, INC.

1. Q. Please state your name and business address.

A. Paul Freels, 108 South Akard, Dallas, Texas 75202.

2. Q. How are you presently employed?

A. I am an Executive Vice President of International Telecharge, Inc. which is also known as ITI.

3. Q. How long have you been associated with ITI?

A. Since May, 1986.

4. Q. Will you please state your educational background?

A. Yes. I received a Bachelor of Science in Mathematics, Physics, and History from Troy University, Troy, Alabama.

Exhibit No. 6
Date 9-20-88 Case No. TA-88-218 et al
Tweedy

5. Q. What is your professional background?

A. In March, 1987, I joined ITI as Executive Vice President and General Manager, Telecharge Division of ITI. Prior to March, 1987, I was a consultant to the Company for approximately one year. From July 1981 to March 1985, I was employed by U.S. Telephone Inc. and its successor company as Vice President with responsibilities in operations, engineering and industry relations. Currently, I serve as Executive Vice President, Regulatory Matters.

6. Q. What is the purpose of your testimony?

A. The purpose of my testimony is twofold. First is to describe the nature of the operator service industry as perceived by ITI. Second, is to suggest reasonable regulations for the operator service provider industry.

7. Q. Please explain the nature of International Telecharge, Inc.'s business.

A. ITI is a nonfacilities based reseller of telecommunications services that allow callers from hospitals, hotels, motels, temporary housing units, business establishments, as well as coin and non-coin operated customer owned pay telephones to make long distance telephone calls and to bill the calls to a major credit card, phone number, or a local exchange company's calling card. ITI's service combines long

1 distance operator-assisted calling with the convenience of
2 credit card billing.

3 8. Q. Is ITI a publicly-held corporation? If so, when did it go
4 public?
5 A. Yes, ITI has been a publicly-held corporation since May,
6 1986.

7 9. Q. Is ITI incorporated and in what state?
8 A. ITI incorporated in March 1985 in the state of Delaware.
9
10 10.Q. In how many states is ITI currently authorized to provide
11 its services?
12 A. A number of state regulatory commissions have authorized
13 ITI to provide service within their jurisdictions. Along
14 with Missouri, ITI has been certificated in New York,
15 Texas, California, Illinois, South Carolina, Florida, Ohio,
16 Maryland, Minnesota, Indiana, Washington, Oregon, Iowa, and
17 Georgia. The State of Wisconsin has granted ITI interim
18 authority to provide service in the state. The States of
19 Arizona, Louisiana, South Dakota, North Dakota, Oklahoma,
20 Tennessee, Colorado, Utah, Idaho, Montana, Pennsylvania,
21 New Jersey, and Virginia did not require resellers to
22 become certificated. ITI has applications pending in
23 Kentucky, Kansas, Alabama, Nevada, Wyoming, Massachusetts,

1 North Carolina, Nebraska, Mississippi, West Virginia,
2 Maine, Alaska, Arkansas, and New Mexico. I believe that
3 ITI's success in receiving authority to provide intrastate
4 services is indicative of the acceptance of alternate
5 operator services.

6 11.Q. When was ITI certificated to provide service in Missouri?
7 A. ITI was certificated on October 15, 1987 in Case
8 #TA-88-12.

9 12.Q. Please provide a current listing and description of ITI
10 officers and key management.
11 A. The officers and key management of ITI include the
12 following individuals:

Name	Position
G. Ray Miller	Chairman of the Board Chief Executive Officer
Edmund F. Tagg	President, Chief Operating Officer and Director
Ernest J. Porcelli	President, DTS, Inc.
James W. Smith	Executive Vice President Sales and Marketing
Paul Freels	Executive Vice President Regulatory Matters
Ronald L. Plunkett	Executive Vice President Finance and Administration
Eddie M. Pope	General Counsel
M.K. "Kathy" Delahoussaye	Executive Vice President Operator Services
Jerry L. Gimnich	Executive Vice President Engineering and Information Systems
Alex D.B. Daspit	Senior Vice President Mergers Corporate Strategy

13.Q. Will you provide ITI's most current financial statement?

A. Yes, it is attached as Exhibit "A".

14.Q. Considering your experience in business, is it your opinion that ITI has the financial resources to provide telecommunication services to consumers in the State.

A. Yes.

I. DESCRIPTION OF SERVICES

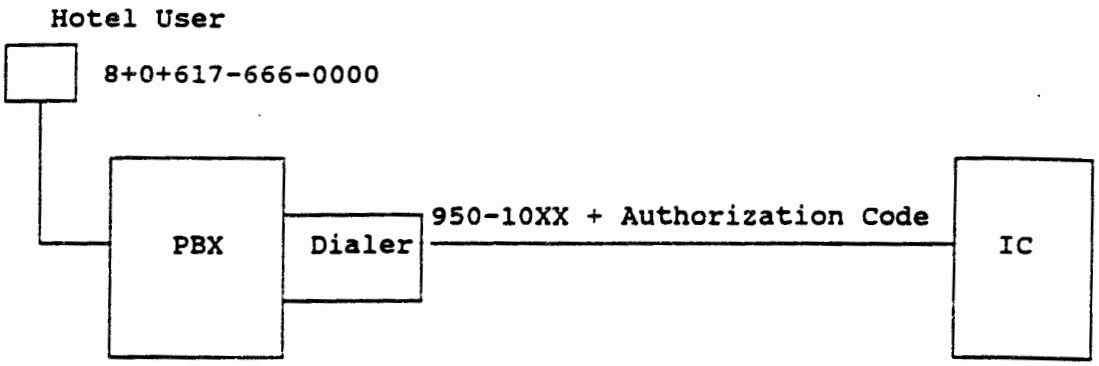
15.Q. Please provide a brief description of ITI services.

A. Currently, ITI provides services primarily to hotels, motels, hospitals, and private pay phone owners (subscribers) so that their patrons, guests, employees, and other callers may place operator assisted long distance calls. This service operates in a manner similar to a reseller's 950-10XX or 1-800 service, except that the caller reaches an operator instead of a switch tone. When a user dials "0" to place a long distance call, the phone, or the PBX connected to the phone, outpulses a 950-10XX or 1-800 access number and authorization code which connects him/her to the carrier serving ITI in that particular location. The number of the called party number is then dialed by the user and forwarded to ITI via resold facilities. An ITI operator then answers the call, obtains and confirms billing information, and releases the call for completion as shown on Exhibit "B". (In essence ITI is in competition for the preponderance of its business, with AT&T. When an end user requires operator assistance they reach ITI rather than AT&T. All other functions or services remain the same as when AT&T provides the operator services)

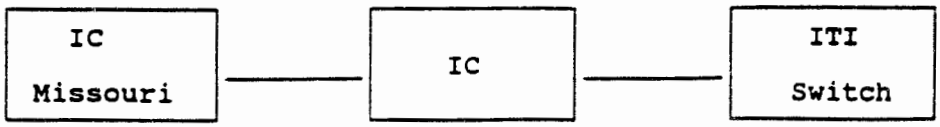
16.Q. This appears to be a complicated process. Please describe each aspect of a collect call that is placed by a hotel user in Missouri.

A. This process is really not as complicated as it may appear and in fact is performed very fast. The best way to describe today's process is to use diagrams. I will walk through each step using a diagram.

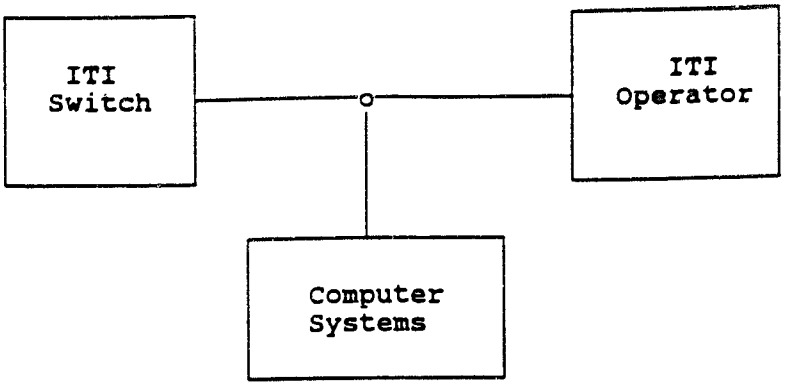
First, the user dials an access number, usually 8, +0+ the called number. The call routes to the hotel's PBX. The PBX reads the 8+0 and recognizes that this is an operator assisted long distance call. Upon seizure of the 0+ message, the hotel PBX or an auto-dialer begins outpulsing the 950-10XX number of ITI's IC carrier in Missouri. This portion of the call is shown below.



At this point, the IC switch validates the authorization code and establishes a communications path between its switch or point of presence in Missouri and ITI's switch over the 7 IC's intercity network.



Upon receipt of the call, the ITI switch routes the call to an ITI operator console. The ITI switch and a computer system associated with the operator console collects and stores the calling information for billing (i.e., the called and calling telephone numbers, call start and stop times, etc.). The operator answers the call by saying "ITI operator, this is (operator's name)," (The response the operator uses after their name is dependent on what information appears on his/her console screen.) The caller states that he/she would like to place a collect call. The operator requests the name of the calling party, depresses a key on his/her console, and the call is transmitted (or completed) to the called telephone over resold facilities. Such resold facilities can be those of the IC bringing the call to the ITI switch or any other carrier, including AT&T.



When the call is answered by the called party, the ITI operator says, "This is the ITI operator, I have a collect call from X. Will you accept the charges?" Upon acceptance of the call, the ITI operator closes with "Thank you for using ITI" and releases the call.

17.Q. Please describe the dialing sequence for hotel guests.

A. The normal dialing plan for hotel guests is as follows:

0 = Hotel Operator

9 + Phone Number = Local Call

8 + 1 + Area Code + Phone Number = Toll Call Billed To Room

8 + 0 + Area Code + Phone Number = Operator Assisted Call

9 + 950-10XX = IC Call

9 + 1-800 = IC Toll Call or Toll Free Number

18.Q. Is the above dialing sequence the same for AT&T and other operator services?

A. Yes, normally it is.

19.Q. How is a hotel guest notified when he/she places an operator assisted call that his/her call will be handled and billed by ITI?

A. ITI provides "tent cards" to hotels for placement next to the guest's telephones. This card displays the various billing options available using ITI and explains that ITI is an alternate operator service provider. Examples of ITI "tent cards" are shown in Exhibit "C".

20.Q. Are there other ways that ITI notifies a user that he/she is using ITI for operator assisted calling?

A. Yes. ITI operators answer all calls by saying "ITI Operator." In addition, the ITI operator will say "Thank you for using ITI" prior to releasing the call for completion.

21.Q. To which major credit cards may a consumer charge a phone call?

A. The following credit cards may presently be used by the consumer to charge a phone call:

1. Master Card
2. VISA
3. Diners Club International
4. American Express
5. Carte Blanche

6. Discover

7. enRoute

In addition, the customer has the option of billing calls to the customer's residential or office phone number, bill the call collect, or charge to approved telephone industry calling cards.

22.Q. Besides the advantage of credit card billing for its patients or guests, why would a hospital or a hotel use ITI?

A. ITI's services provide cost savings as well as new sources of revenue to hotels and hospitals. By contracting with ITI, a hospital eliminates the need for a staff of on-site operators to handle outgoing calls; a hotel eliminates the need for extra front desk personnel to handle guest credits. ITI also provide bill-to-room information without the need for sophisticated call accounting equipment or HOBIC lines which represents cost savings to the hotel. In addition, ITI allows the hotel or hospital if it so chooses, to add its normal surcharge to each call processed by ITI in lieu of it being billed and collected at check out. This eliminates the need for auditing a bill at check out for charges on incompleted operator assisted calls. By reducing staffing and equipment requirements and receiving fees for operator assisted calls, the hotel/hospital is able to

1 reduce overhead costs. Such savings can be passed on to
2 hotel/hospital guests and patrons in the form of lower
3 service charges.
4 As noted previously, ITI also offers features which are
5 attractive to guests or patients in addition to providing
6 "traditional" operator assisted calling (i.e. collect,
7 third-party, and person-to-person), ITI allows a guest to
8 charge a call to one of seven major credit cards. This is
9 especially desirable for the frequent traveler who generally
10 prefers that all business expenses appear on the (credit
11 card) invoice.
12
13 Multilingual operators are another very desirable
14 aspect of ITI's services. ITI assists users in many
15 foreign languages including French, Spanish, Italian,
16 German, Hungarian, Arabic, Polish, Yugoslavian, Bulgarian,
17 Korean, Laotian, Thai, Vietnamese, Farsi, Portugese,
18 Czechoslovakian, Japanese and Russian. Hotels and hospitals
19 generally do not have the resources available to provide
20 foreign guests or patients with the benefit of operators who
21 speak in his/her native tongue.

22 23.Q. Why do so many hospitals use ITI?
23 A. In most hospitals before subscribing to ITI, all long
24 distance calls must be operator assisted by both the

1 hospital operator and an AT&T or LEC operator, and must be
2 either charged to a telephone industry calling card, billed
3 to a third party, or made collect because the hospital,
4 Medicare and private insurance companies refuse to pay for
5 telephone calls. Calls may not be charged to the patient's
6 room. In addition, no long distance calls can be made from
7 the patient's room when the switchboard closes during late
8 evening and night hours. ITI eliminates the need for a
9 hospital operator, allows 24 hour a day service and offers
10 callers the added benefit of charging telephone calls to a
11 major credit card, as well as all the methods offered by the
12 LEC and AT&T referred to above.

13 24.Q. How would a call from a pay phone be routed?
14 A. ITI handles all calls in the same manner. In other words, a
15 long distance operator assisted call would reach ITI's
16 operator center in the same manner as I described
17 previously. The only difference in the treatment of the
18 call is the manner in which the user dials the call. A
19 caller from a hotel room must dial 8+0 to place a call to a
20 location outside of the hotel while the pay phone user
21 simply dials a zero.

22 25.Q. What is the normal dialing sequences for pay phones
23 connected to ITI's service?

A. While the owner is responsible for all call routing, in most cases, the phones are programmed in the following manner:

911 = Local Emergency Service

411 = Directory Assistance

NXX-XXXX = Local Call

950-10XX = IC Call

1-800-NXX-XXXX = Toll Free Number or IC Toll Call

10XXX = Interexchange Carrier

1 + NPA + NXX-XXXX = Toll Call, Coin Paid or Direct Credit Card Entry

0 + NPA + NXX-XXXX = ITI Operator Assisted Call or Direct Credit Card Entry

0- = ITI Operator

26.Q. Is this dialing sequence the same for AT&T?

A. Yes, to the best of my knowledge it is.

27.Q. How is a pay phone user informed that his/her operator assisted call is being serviced by ITI?

A. ITI operators answer all calls by saying "ITI Operator." In addition, the ITI operator will say "Thank you for using ITI" prior to releasing the call for completion. In addition, ITI furnishes pay phone owners with a "sticker" or

information piece explains that ITI is the operator service provider for the telephone. An example of the "sticker" is included in Exhibit D.

28.Q. Why would a pay phone owner utilize ITI's service?

A. ITI's service offers much the same benefits to the pay phone owner and pay phone user as offered to a hotel and its guests.

The multiple billing options offered to the pay phone user, makes the private pay phone more attractive to the caller.

ITI pays commissions to the pay phone owner for the ITI handled call. This additional revenue to the pay phone owners lowers the cost of operation of the pay phone.

ITI provides customer services to pay phone owners. ITI's system allows the pay phone user to call the ITI operator and initiate inquiries concerning billing, refunds, or the improper functioning of a pay phone on the ITI network. This eliminates the necessity of a separate number for caller problems which greatly reduces vandalism.

Finally, the ITI emergency network system provides an efficient process by which a caller in need of emergency services can contact the proper authority. Once the caller dials "0" the ITI operator has the location address and the telephone number of that pay phone and the emergency service

in that area with their respective telephone numbers, displayed on the operator's screen. This information can be helpful to the caller, away from home, at a pay phone and the emergency service called. Also, pay phones that subscribe to ITI pass "911" dialed calls directly to the local exchange company.

29.Q. How does a caller utilize ITI's emergency service?

A. In the event that a caller needs to place an emergency phone call, in addition to dialing "911" or the local seven digit emergency number directly, the caller may dial "0-" (or 8 + 0 in a hotel or hospital) and place the call through an ITI operator. All ITI operator stations have the capability of locating the telephone numbers of these emergency services by simply pressing a key on the operator console. ITI will place the call (free of charge) for the caller and the ITI operator will monitor the line until the caller's emergency is reported to the proper authority.

30.Q. What are ITI's procedures for handling emergency calls?

A. ITI has initiated a procedure to ensure that it is capable of routing calls to all emergency numbers for every property or telephone it services. Each subscriber submits the telephone number of the 24 hour emergency service that is closest to the location of the telephone. Each

telephone number also is verified by ITI's Customer Service Department and entered into a central data base which is accessible by all ITI operators. ITI requires these steps to be completed before new telephones or properties are added to the ITI network.

31.Q. Do you believe that this system has been effective?

A. Yes.

32.Q. What services does ITI offer that the local exchange companies do not offer?

A. As I stated previously, ITI offers a number of features and benefits to consumers and businesses. These include Operator Station, Trouble Reporting, Emergency Services, Enhanced Billing, Multilingual Operators, Hotel Bill to Room Arrangements, Repair and Maintenance, Dialing Instructions, 24 Hour Patient Dialing and Inbound International. In the near future, ITI will be offering teleconferencing and message forwarding services.

Operator Station

ITI has enhanced the quality of operator assisted services by developing state-of-the-art technology for assisting individuals in placing long distance calls. The most significant development is the operator screen itself.

Telephone company operators are limited in their ability to provide service to callers due to the limitations of their consoles. In most cases, information available on the console is limited so that a telephone company operator must view a separate screen to obtain call information and to respond to miscellaneous requests. It is likely that some operators must locate information manually to handle end user requests. ITI's operator screen provides multiple sources of information in a matter of seconds.

ITI's operator screen is divided into several sections, each section is color coded to facilitate the call process. When a call comes to an operator console, the operator automatically receives the following information:

1. Calling Telephone Number
2. Called Telephone Number
3. Call Type (0+ or 0-)
4. Time in the Distant City
5. Name of Subscriber
6. Location of Subscriber
7. Special Dialing Instructions
8. Type of Phone (Coin)
9. City of Origination
10. Time in Originating City
11. Terminating City
12. Time in Terminating City
13. City for Billing
14. Time in Billing City
15. Network Messages

The operator has access to information by depressing a key for a menu of options including:

1. Area Code Listing
2. Country Code Listing
3. Calendar
4. Emergency Services
5. Rate Quote Capability

ITI's state-or-the-art technology is becoming the standard for competitive operator service providers across the nation. Because ITI's system is so versatile, ITI has been able to introduce new and enhanced services to the calling public.

Trouble Reporting

ITI furnishes its users and subscribers with immediate trouble reporting services. Complaints of busy lines or unsatisfactory quality are responded to quickly and efficiently. ITI will check its network to ensure that it is not the source of a user complaint. In the case of a network problem, it is immediately referred to the operations group for resolution. If the problem is isolated to the subscriber location, ITI reports troubles and/or complaints to pay phone owners, hotels, and hospitals. This is an invaluable service to the private telecharge phone owners since it is not offered by the local telephone company. It prevents vandalism and assures users that the pay phone owner is interested in serving the public.

Emergency Services

ITI operators offer swift and effective free emergency response. Most telephone company operators have no way of pinpointing the physical location of the caller without

consulting other terminals or information resources. Using ITI's proprietary software, ITI operators, with three quick keystrokes, can instantly identify the exact location of any ITI subscriber phone in the nation, provide the emergency phone number information applicable to that phone, and connect to the appropriate emergency service provider. Additionally, our operators remain on the line and, if required, can advise the emergency service of the caller's location or provide interpretive assistance for a caller who does not speak English.

Enhanced Billing

In addition to providing "traditional" operator assisted calling (i.e., collect, third-party, and person-to-person), ITI allows a caller to charge a call to one of seven major credit cards (MasterCard, VISA, American Express, Diner's Club International, Carte Blanche and Discover). ITI has just signed a contract with enRoute, a Canadian-based credit card company. This is especially desirable for the frequent traveler who generally prefers that all business expenses appear on one (credit card) invoice. In addition, efficiencies associated with the credit card billing process allow us to offer credit card billed calls at a discount to AT&T rates.

1 Multilingual Operators

2 Multilingual operators are another important aspect of
3 ITI's services. Currently, ITI is able to assist users in
4 many foreign languages including French, Spanish, German,
5 Japanese, Italian, Hungarian, Polish, Yugoslavian, Dutch,
6 Bulgarian, Korean, Laotian, Thai, Vietnamese, Farsi,
7 Portuguese, Czechoslovakian, and Russian. Hotels and
8 hospitals generally do not have the resources available to
9 provide foreign guests or patients with the benefit of
10 operators who speak in their native tongue. Because of our
11 multilingual proficiency, ITI was selected to provide
12 operator services for the world press at the recent Reagan-
13 Gorbachev summit meeting in Washington, D.C.
14
15 Hotel Bill to Room Arrangements

16 Hotel bill-to-room arrangements are simplified as a
17 result of ITI's services. Many times, hotels utilize
18 special equipment, lines, and dialing sequences which can
19 disrupt the quality of telephone service provided by the
20 hotel. ITI provides its service via switched access and 1-
21 800 facilities. This means that subscribers need not obtain
22 dedicated facilities for providing long distance service.
23 Calls are routed to ITI's operator service center for
24 handling and rating. Time and charges are automatically
25 transmitted back to the hospital/hotel upon completion of

the call, thereby alleviating the need for a call accounting system at the subscriber premises.

Repair and Maintenance

ITI's services also support private pay phone owners by providing immediate responses to complaints regarding the operation and/or maintenance of the telephone. When a disgruntled user presses "0", the ITI operator is available to provide assistance to the caller. For example, a caller may have lost coins when placing a local or long distance call. ITI's operator will relay the pertinent information to the pay phone owner so that the caller is reimbursed and the phone repaired. This practice also reduces vandalism to private pay phones as well as decreasing the number of agency complaints.

Dialing Instructions

ITI's operators can also give assistance to callers who need help in making calls from hotels. The operator console shows the dialing instructions for hotels, so that the caller can be told to dial "9" for a local call or 8 + 1 for a direct dialed call, and so on. AT&T operators must refer such inquiries to the hotel operator, which requires the caller to hang up and redial. In addition, the operator is able to furnish area code listings, emergency calling services and international calling codes.

1 24 Hour Patient Dialing Assistance

2 Most hospitals require all outbound long distance calls
3 to be processed by the hospital operator in order to assure
4 that calls are not inadvertently charged to hospital lines
5 and that patients have whatever dialing assistance they
6 require. ITI's services relieve the hospital operator of
7 this function and permit 24 hour outbound patient long
8 distance calling, which is not available when using the
9 current AT&T/LEC services, since no long distance calls can
10 be made when the hospital switchboard is closed in the late
11 evenings for the night.

12 Inbound International Service

13 ITI serves American traveling abroad, as well as
14 stationed service persons, in foreign countries with a toll
15 free local access number they can use to reach an English
16 speaking ITI operator and complete their calls to the United
17 State at rates less expensive than when utilizing foreign
18 telephone systems.

19 Future Enhancements

20 In the near future, ITI will further enhance its
21 services by introducing teleconferencing and message
22 forwarding. Message forwarding enables a user to leave a

1 recorded voice message in the event that the called party is
2 unreachable. ITI's equipment will attempt to send the
3 message to the called party every 15 minutes for several
4 hours or until the called party answers and receive the
5 message. ITI's teleconferencing feature enables the caller
6 to be connected to multiple parties simultaneously. This
7 service is especially desirable for business travelers who
8 must conduct meetings while "on-the-road". These features,
9 like many of those currently offered by ITI, are not
10 available from most LEC's operator services or (with the
11 exception of more limited teleconferencing) AT&T.

12 ITI will continue to enhance its services by
13 introducing such features as enhanced Directory Assistance,
14 which will permit callers to reach Directory Assistance
15 numbers without redialing, and a number of information
16 services of value to travelers. In addition, we will expand
17 markets served to encompass cellular telephone users
18 (particularly those in taxis and limousines, who currently
19 have few convenient alternatives for making long distance
20 calls), buses, and mobile marine.

21 The features I have described provide users, and ITI
22 subscribers, with operator assisted services that are not
23 generally available using a local telephone company
24 operator. Due to the competitive nature of operator

1 services, ITI is encouraged to enhance its service and
2 product line to accommodate the changing needs in the market
3 place.
4 The service arrangements and enhancements afforded by
5 the existence of competitive operator service providers
6 clearly offer businesses and consumers with a viable means
7 of placing operator assisted calls vis-a-vis the local
8 telephone company. ITI will continue to enhance its
9 services by introducing such features as, concierge, mobile
10 marine, cellular, electronic yellow pages, and long distance
11 emergency assistance. These features and those currently
12 offered by ITI are not available from most LEC operator
13 services and most likely could not be offered to the
14 Missouri public if ITI's Application and Tariff are not
15 approved.
16

1 II. CUSTOMER RELATIONS

2 33.Q. How are end user billing inquiries handled?

3 A. As part of our arrangements for billing and collection
4 services, end users first contact the billing entity for an
5 inquiry or dispute, as the case may be, an ITI invoice. In
6 the case of a dispute, the telephone company or major credit
7 card company who issued the bill will attempt to resolve the
8 dispute and credit the end user as deemed appropriate.
9 Rating questions are referred directly to ITI's Billing
10 Inquiry Department for handling. In addition, the local
11 exchange companies will request that ITI investigate
12 invoices that exceed a pre-determined amount, usually
13 between $5.00 and $10.00.

14 34.Q. What systems and procedures are used by ITI to investigate
15 end user inquiries?

16 A. ITI's data access system enables ITI to research a user's
17 billing in seconds. The information contained in ITI's
18 record and displayed on the screen during the inquiry
19 includes all rating, taxes, call type, length, origination,
20 termination points, etc. If a user requests information
21 about a call or refuses to pay the ITI invoice, ITI has the
22 ability to trace the call to verify its validity. The
23 company records all operator transactions so that a billing
24 dispute can be tracked in the corporate records.

35.Q. How does a user contact ITI's Billing Inquiry Department?

A. ITI provides a toll free 1-800 number for people to call ITI regarding billing questions. This number appears on the customers bill or can be provided by the billing entity.

36.Q. In your opinion, have these procedures been effective?

A. These procedures have been implemented to minimize complaints. To date, ITI has a low uncollectible rate with the telephone companies doing their billing and one which is in line with the telephone companies own uncollectible rate.

III. COMPETITION

37.Q. Do you believe that operator services is a competitive service?

A. I believe operator services are becoming a competitive service with the entry of operator service providers such as ITI. Prior to the establishment of such operator service providers, subscribers had no choice - they had to use the local exchange company and AT&T operators. Since many local exchange companies use AT&T operators, that meant that there was only one source of operator services. That is the classic definition of a monopoly. Now, ITI and other provide operator service alternatives to subscribers. If subscribers have a choice, then there is competition.

38.Q. Why do you believe that ITI's services are competitive?

A. There are several reasons why I believe ITI's services are competitive. They are as follows:

ITI provides operator services. Traditional toll services continue to be available to users of ITI's services. Callers have the option of dialing their long distance carrier by using a 950-10XX or 1-800 number, 10XXX, or may dial direct.

Our subscribers, as well as users, ensure that rates for services are reasonable. ITI subscribers want repeat business and good word-of-mouth publicity. The revenues received for telephone calls by hotels, for example, are too incidental to threaten the primary source of revenue, which is the guest. If ITI does not provide good service, or takes unfair advantage of callers, the subscriber will switch to another service provider, or AT&T. Users may also refuse to pay for services if they feel that the service was inferior or too expensive. Thus, if callers feel they have mistreated, they can complain to ITI and the ITI subscriber. These pressures ensure that Operator Service Providers (OSPs) are competitive.

Finally, there is the ever-present potential of the Commission or the Legislature acting if callers are unfairly abused. Just the potential of regulation is sufficient to govern ITI's actions in a way that will be consistent with the public interest.

In summary, whether ITI is serving a hospital, hotel, or pay phone, sufficient competition exists to ensure that ITI furnishes quality service at a reasonable price.

39.Q. Has ITI found it necessary to respond to competitive pressures?

A. Yes.

40.Q. How has ITI responded to competitive pressures?

A. The most significant example of ITI's responsiveness to competition is the development of its own operator console with greater display and information capabilities to better serve the user. By providing operators with a feature enhanced, color coded, multi-dimensional system, the time it takes to process a call is greatly reduced. ITI has also improved its service quality by introducing direct entry of credit cards, thus alleviating the need for live operators to intercept the call. ITI's technology is so advanced, a version of it is currently being marketed to the telephone industry by a division of Northern Telecom.

ITI has also hired multilingual operators in response to the needs of our client's users. Trouble Reporting, Repair and Maintenance Services, and Bill-to-Room arrangements have also been formulated to improve the quality of service to ITI subscribers and users.

ITI's ability to quickly furnish miscellaneous information such as area codes, country codes, and the time at the called location also benefits the user. For example, a person any not realize that he/she is attempting to place a collect call to a city where it is 2 a.m.

Competitive forces have also encouraged ITI to enhance its services. Teleconferencing and message forwarding features are being developed as a result of the need expressed by ITI subscribers and users.

41.Q. Are there other ways in which ITI has responded to competitive forces?

A. Yes. As ITI has grown, it has found it to be necessary to examine its pricing structure. ITI has revised its rates, to be equal to or less than the fees charged by the dominant operator service provider, AT&T, and where applicable, the local exchange carrier.

42.Q. What rates does ITI charge users in Missouri?

A. ITI charges the same rates as AT&T for interLATA operator assisted calls in Missouri, intraLATA rates are equivalent to the charges assessed by Southwestern Bell for operator assisted calls in Missouri. Calls billed to major credit cards receive a 5% discount off the applicable AT&T/BOC rates and operator surcharges. These rates and charges are contained in ITI's tariff on file with the Commission.

43.Q. Would an end user be billed for any other charges through ITI?

A. ITI will bill a hotel's surcharge in instances where the hotel would normally levy and access fee for use of long distance facilities. This charge is generally collected from guests at the time of check out. ITI simply collects this charge on behalf of the hotel for operator assisted calls. No portion of this charge is retained by ITI.

44.Q. How would you classify ITI's service?

A. ITI's services should be classified as non-dominant interexchange services.

45.Q. Why would ITI classify as an interexchange carrier?

A. ITI provides it services in the same manner as those provided by resellers and other interexchange carriers.

46.Q. In what way is ITI's service similar to a service offered by other interexchange carriers?

A. The means by which an ITI user is connected to ITI's operator service center is identical to the manner in which he or she could/would reach an IC, i.e., by dialing a 950 or 1-800 telephone number and authorization code. Calls terminate over the same type of facilities, as well, either using resold WATS or WATS-type services, or via a private line configuration. The only difference is that the caller reaches an operator prior to the release of the call for completion when using ITI.

IV. COMMISSION OVERSIGHT

47.Q. What service standards should be found appropriate in the regulation of operator service providers?

A. ITI proposes the following service standards and regulations to govern all operator service providers.

1. Registration.

Operator service providers should register with the Commission. The registration statement should include:

A. The name and address of the provider.

B. A copy of the provider's certificate to do business in Missouri.

C. The name and telephone number of a contact person the Commission can call with questions and/or complaints.

D. A certification that the provider has billing and collection agreements with all local telephone companies serving more than one million access lines.

E. An informational copy of the intrastate rates applicable to Missouri.

F. A certification that the provider will comply with the requirements stated below.

2. Notice.

Operator service providers shall provide notice to the caller of the entity providing operator service. This notification requirement shall include:

A. Provision by the operator service provider of identification materials to the owner of the telephone instrument. The materials shall include, but not be limited to, tent cards, stickers, and other devices to be placed on or near the telephone. The telephone owner shall make reasonable efforts to affix and maintain such identification devices. The identification device shall identify the provider of operator services.

B. "Branding" by the operator service provider of <u>every</u> call. Branding shall be accomplished by a notification to the end user at least once during the transaction of a call. ITI provides such notification at the beginning and end of every call, e.g., "ITI operator, this is Mary, how would you like to place this call?" and "Thank you for using ITI." This branding also occurs at the beginning and end of calls handled automatically. Thus, instead of hearing a tone, the caller hears a recording which advises him/her that he/she is using ITI.

C. Rate information should be available on request of the caller to the operator, and should also be available through the information on file with the Commission.

D. Local exchange companies providing billing and collection services for operator service providers should place an informational piece in their bills at least twice a year, informing customers of the existence of other competitive operator service providers. The contents of the message should be mutually agreed upon by the competitive service providers and the local exchange company. The following language should be considered by the parties:

> You know that competition in the telephone industry has brought you the opportunity to choose long distance carriers for your home or work. Those carriers offer different rates and services. What you may not realize is that when you use someone else's phone, you will be using that person's carrier, not your own.

1 There are now a number of carriers that
2 provide operator assistance. These
3 companies offer different services and may
4 have different rates than your carriers.
5 Competition in the operator services industry
6 will bring you innovations in service and
7 rates.

8 You may see a bill from one of these
9 companies in your bill from us. We provide
10 this service for all competitors on an equal
11 basis. While we are aiding competition
12 through this service, we are not otherwise
13 connected to these companies. The Missouri
14 Public Service Commission does not set the
15 rates of these companies.

16 If you have a question about your bill from
17 one of these companies, you should try to
18 call that company first. Of course, we at
19 your local company are also always willing to
20 help you if we can.

21 3. Emergency Services.
22 Every operator service provider, including a local
23 exchange company, that accepts "0-" calls (calls where

the caller dials "0" and no other digit) from pay telephones shall have the following capabilities:

A. Timely identification at the operator's console of the geographic location from which the call is being made.

B. Timely identification at the operator's console of the verified telephone numbers of emergency service providers that serve the specific telephone location, including, but not limited to, police, fire, ambulance, bomb squad, and poison control.

C. Capability of dialing the appropriate emergency service provider from the operator's console.

D. Ability of the operator to stay on the line with the emergency call until the emergency service is dispatched.

E. No charge shall be imposed on the caller from the telephone or the operator service provider for emergency calls.

4. Interconnection.

Every operator service provider, except local exchange companies, shall have the technical capability to transfer a caller to the local exchange company serving the originating telephone. Operator service companies

shall also have procedures for transferring callers on request to other carriers, or instructing such callers to follow the instructions provided by their carrier to reach that carrier.

5. Intrastate Service and Rates.

Every operator service provider or its carrier shall pay intrastate access charges for calls which originate and terminate within Missouri. Operator service providers shall provide their percent intrastate usage (PIU) reports to the appropriate local exchange carrier.

Every operator service provider shall pay intrastate billing and collection charges on all calls which originate and terminate in Missouri, and which are billed in Missouri by Missouri telephone companies. Local exchange companies shall not discriminate on the basis of price or service in the provision of billing and collection service to operator service companies.

Every local exchange company shall file, within thirty days of the adoption of these rules, the following information:

A. The amount of contribution or loss arising from the provision of intraLATA operator services,

broken down by type of service (calling card, third party, collect and person-to-person), by time of day (day, night, evening/weekend) and by mileage band for the most recent twelve month period. The data shall be accompanied with a description of the cost methodology utilized, the assumptions included in the cost study, and sufficient workpapers so that the sources of the data are revealed.

B. The amount of intrastate access paid by operator service providers or their carriers for the most recent twelve month period.

C. The amount of intrastate billing and collection revenue paid by operator service providers for the most recent twelve month period.

At the end of one year, the local exchange companies shall file an identical report, utilizing the same costing methodologies as contained in the first report. The Commission shall review the reports, after notice and hearing, and shall adjust intraLATA access charges to provide the lost contribution (if any) resulting from the operation of competitive operator services.

No carrier shall charge end users more than one dollar ($1.00) more than the highest daytime rate for a call, including appropriate operator assistance, currently approved by the Commission, without Commission approval. No carrier may obtain Commission approval of such a higher rate without filing with the Commission a detailed cost justification for such rates, and following the notice and hearing requirements for rate increases currently imposed by the Commission for dominant carriers.

6. Billing Inquiry Capability.

Every operator service provider shall maintain an ability to answer billing inquiries from Missouri residents. Every provider shall have a toll-free number at which it may be reached, and shall staff such number during Missouri business hours. The staff of such provider shall have access to billing information and have the ability to authorize credits and adjustments. Local exchange companies shall provide the toll-free number on bills rendered on behalf of the operator service provider, and upon request of callers.

Billing inquiries received by the Commission shall be forwarded to the contact person named in the operator

service provider's registration statement. The provider shall respond to the person making the inquiry, with a copy to the Commission, within ten (10) working days after receipt of the inquiry.

7. Reports.

Every operator service provider shall provide such information and submit such reports as the Commission shall request. Any information deemed to be proprietary or a trade secret may be submitted under seal, and shall be maintained by the Commission on a confidential basis.

8. Enforcement.

The Commission shall notify any operator service provider of any apparent violation of these rules. The Commission shall also notify the Operator Service Providers of America, 6611 Valjean Avenue, Suite 101, Van Nuys, California 91406 (818-786-4626). If such violation is not corrected within sixty (60) days, the Commission shall issue a notice to show cause why the operator service provider shall not be prohibited from carrying intrastate calls. If, after notice and hearing, the Commission determines that these rules have been knowingly violated, and such violations have not been corrected, the Commission shall prohibit the operator service provider from carrying and handling any intrastate calls.

48.Q. How is ITI's service in the public interest?

A. ITI has identified ten ways in which our services benefit the public. Some of these reasons have already been alluded to in my testimony; I would like to summarize them here.

1. Philosophically. On just a philosophical basis, I believe that competition is better than monopoly. The forces of competition make providers of services offer better products at competitive prices.

2. Emergency Services. I have previously described ITI's emergency service capability. ITI believes that it may be possible for ITI's state of the art technology to save lives that otherwise might not be saved.

3. Options. Callers have more options when using ITI than when using the local exchange company or AT&T. Giving customers more choices, benefits the public as a whole.

4. Healthier Hotels, Hospitals and Pay Phones. The public benefits as hotels, hospitals and pay phones obtain new revenues from OSPs. It is conceivable that the revenues that ITI provides could help hold down room rates or medical costs. Customers have more choices if the revenues provided help current businesses stay in business, or new businesses enter the marketplace. This means more financially healthy hotels, hospitals, and pay phones. More pay phones may mean more locations at which the phoneless

1 caller has an opportunity to make a call. This would foster
2 both competition and universal service at once.
3 5. Swift Handling of Complaints. The public benefits from
4 quick handling of complaints from pay phones. Callers are
5 not frustrated by an inability to obtain help from the
6 operator. Vandalism is avoided by having more satisfied
7 customers. This means that the phone will be more likely to
8 be working for the next caller.
9 6. Multilingual Operators. The public benefits when
10 callers who do not speak English are able to obtain
11 assistance from the operator.
12 7. New Jobs for Residents. The provision of new services
13 means that new jobs will be created in the state. At first,
14 the jobs will include salesmen and installers. There will
15 also be a ripple effect, as hotels, hospitals and pay
16 phones hire more people from the new revenues they obtain.
17 8. New Tax Revenue for the State. ITI will be paying
18 taxes on the calls that originate and terminate here, and
19 businesses will also pay taxes on the new revenues they
20 will obtain from ITI.
21 9. New Revenue for Local Exchange Companies. ITI will be
22 paying access and billing and collection charges to the
23 local exchange companies, who have not received such
24 revenues before. New revenues should mean better service or
25 lower rates.

10. New Uses for the Network. ITI will be creating uses for the network that have not occurred before. As each such use occurs, it should lower the cost of all uses to everyone for non-traffic sensitive costs, as the same costs are divided by more users.

49.Q. Do you believe that ITI has the ability to provide a viable operator assisted service in Missouri?

A. Yes. The value added services offered by ITI, combined with its record for high quality and its ability to effectively handle end user inquiries, provide a viable product offering to the hotels, hospitals, pay phone owners and telephone users in Missouri.

50.Q. Does this conclude your testimony?

A. Yes.

EXHIBIT "A"

Annual Report 1987

The Business of International Telecharge, Inc.

Incorporated in March, 1985, International Telecharge, Inc. (ITI) became operational in 1986, and, at the end of 1987, had completed its first fully operational year as a provider of operator-assisted, long distance services.

ITI's initial business strategy was to capture a significant portion of the $7 to $8 billion U.S. operator-assisted long distance market, traditionally dominated by AT&T.

At the beginning of 1987, ITI moved aggressively into selected segments of this market. Long distance services, from anywhere in the U.S. to any point in the free world, were offered through phones with direct access into the ITI International Call Processing Center, in Dallas. ITI also developed and distributed proprietary coinless phones and network access devices which were installed at subscriber locations.

The Company's primary sales thrust is to the hotel, motel, hospital, and private pay phone industries, with a major emphasis in the private pay phone industry. ITI is preferred by its subscribers because ITI shares a portion of the revenue, while offering a high level of operator services and benefits.

Now established as one of America's outstanding growth companies, ITI is using its experience, skills and technology to strategically expand into new markets.

Emerging As The New-Generation Phone Company

For ITI, 1987 was a year of impressive growth with positive recognition from the investment community and rapid expansion of our nationwide customer base. The Company has experienced unprecedented growth in the telecommunications industry in a short period of time. At the end of the first year of full operation, we reached $120 million in annualized revenue.

Significant barometers of our strategically planned growth were provided by the investment sector itself. The December [illegible], 1987 issue of "The IPO Reporter" stated, ITI had the largest percentage gain [illegible] in market price of any IPO company from the October [illegible], 1987 stock market drop to the end of the year. The March [illegible] 1988 issue of Forbes magazine ranked ITI [illegible] the five best performing companies making an initial public [illegible] 1987.

Perhaps the most satisfying accomplishment of 1987 is the fact that we met our revenue plan [illegible] doubling our revenue in all four quarters of 1987, and achieved profitability at the end of the third quarter. We knew the operator-assisted market, dominated so long by AT&T, was ready for an aggressive, knowledgeable competitor. But, most of all, we knew that we had an extremely dedicated and talented team composed of people who, time and again, can make the impossible [illegible] routine.

Our goals in 1987 were dedicated to putting in place the technology that would allow us to provide the finest operator-assisted services in telecommunications.

Because of excellent training and innovative proprietary software programs, our operator staff provides an exceptional level of service. ITI [illegible] the only nationwide multilingual [illegible] emergency response programs available to the calling public.

In 1987, we began installation of advanced Northern Telecom DMS 250 switches and Stratus 2000 computers. With ITT-USTS, we have established six major switching centers nationwide.

We maximized our sales potential by establishing a nationwide network of distributors and sales representatives. This provided the strength we needed to reach nationwide sales goals in the [illegible] motel, and hospital markets [illegible]

[illegible] and Chief [illegible] map located at the [illegible] communication services.

[illegible] In addition [illegible] penetration of the [illegible] market [illegible] new [illegible] and new [illegible]

During 1987 we filed complaints with the FCC asking that the AT&T Private Payphone Commission and Hospitality Network Plans be ruled illegal. Both plans are currently being investigated by the FCC. The Company will take any action it deems necessary to ensure that the level playing field concept, endorsed in the Modified Final Judgment, is followed by everyone in the industry.

Also, as a result of our efforts and those of others, the Department of Justice issued a mandate which will give ITI access to the Regional Bell Operating Companies validation data bases. This will enable us to more efficiently validate calling card, third party and collect calls.

ITI remains strongly involved in the legal and regulatory areas. We are taking a proactive stance on behalf of the competitive sector of the telecommunications industry and for the enhancement of phone services across America.

Of primary importance in 1987 was the fact we achieved the critical revenue point that allowed us to begin lowering our long distance rates to the end users.

This year of extraordinary financial progress is detailed in the financial section. The following are numerical representations of that progress. Revenues in the first quarter of 1987 were $2,[illegible]908, while revenues in the fourth quarter were an impressive $2[illegible]52,088. The trend established in 1987 is continuing this year, with unaudited first quarter 1988 revenues of $32,783,000, and net income of $2,725,975 or $.15 per share fully diluted.

In the following pages, key members of the ITI management team will report on activities in their special areas of responsibility. In particular, direct your attention to the important message from our President, Edmund F. Tagg, who joined ITI in January of this year.

The opportunities are virtually unlimited. We intend to seize them aggressively, creatively and according to plan. We are capable of moving rapidly in the technological and marketing arenas.

We remain committed to our conviction that ITI's growth will be sustained, as long as we continue on the plan we designed three years ago. The cornerstone of this plan was not to limit ourselves to becoming the largest independent operator-assisted services company in the nation, which we have become, but to emerge as the new-generation phone company, providing a wide range of new enhanced telecommunication services, at a level of quality never before achieved.

[illegible] Ray Miller
Chairman of the Board and
Chief Executive Officer

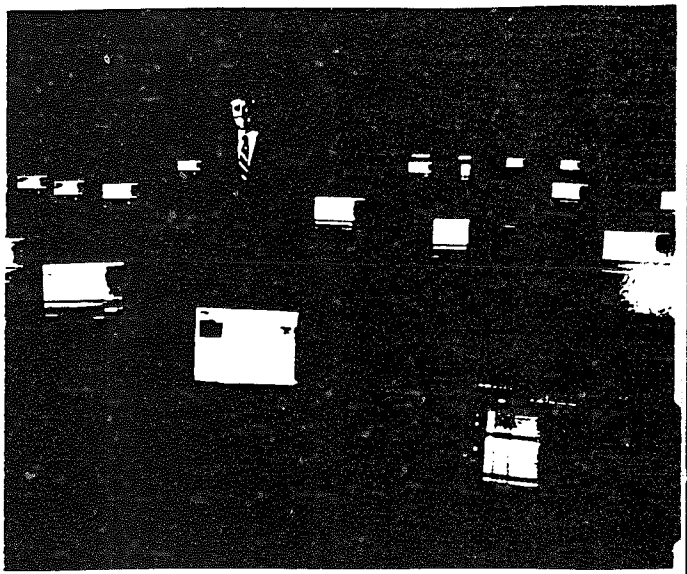
Expanding Our Markets And The Limits of Technology

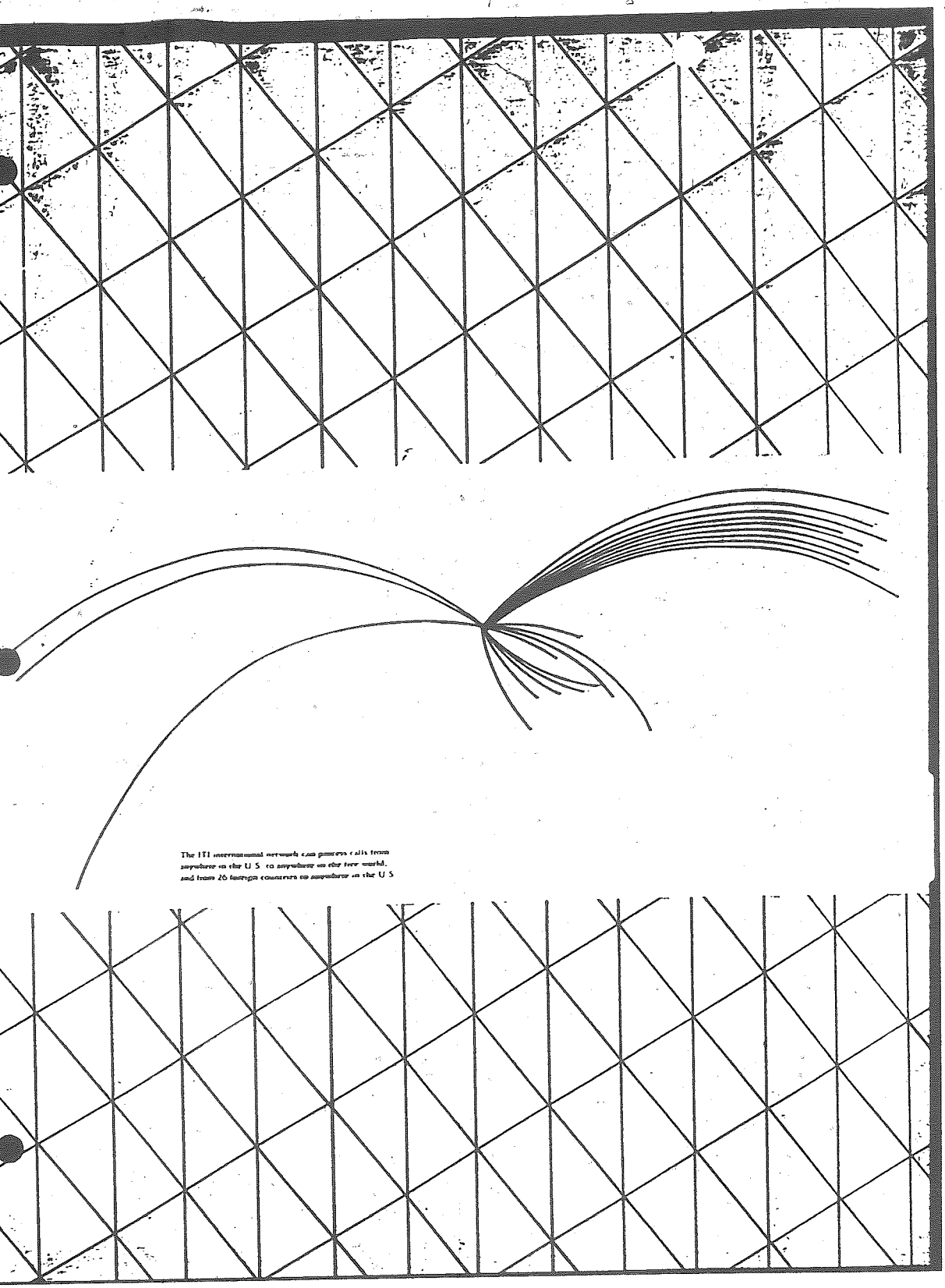
When I accepted the position as President of ITI, at the beginning of 1988, I did so with great enthusiasm. This enthusiasm resulted from the fact that no other company in the telecommunications industry had so quickly and effectively established its operational platform. Let me provide some background on this accomplishment, which proceeded from Ray Millers initial vision to operational reality in scarcely more than 12 months.

In 1987, the Company built and proved its long distance network. In addition, ITI developed an International Call Processing Center featuring the industrys most efficient and versatile proprietary operator work stations. This achievement was one of the most significant milestones in the Companys development and also one of the most difficult. It required the integration of switching systems, access and terminating transmission systems, computer hardware and software systems, robotics and the operators who directly interface with the public.

Through our subsidiary Company Digital Telecommunication Systems Inc., ITI markets its own pay phone interface units, network access computers and proprietary coinless phones.

Furthermore, the Company has contracted for the necessary billing and collection services of the Bell




The ITT international network can generate calls from
anywhere in the U S to anywhere in the free world,
and from 26 foreign countries to anywhere in the U S

April, 1986

ITI processes its first collect call.

May, 1986

ITI becomes a public company.

June, 1986

ITI processes its first calling card call.

Billing agreements are signed with Southwestern Bell.

July, 1986

The initial host billing test-tape is sent to Southwestern Bell.

ITI records its first 1,000-call day.

The first university agreement is signed.

September, 1986

Billing agreements with Regional Bell Operating Companies are completed.

October, 1986

Digital Telecommunication Systems, Inc. is formed as an ITI manufacturing subsidiary.

November, 1986

The Mercury long distance (0+) service agreement is signed.

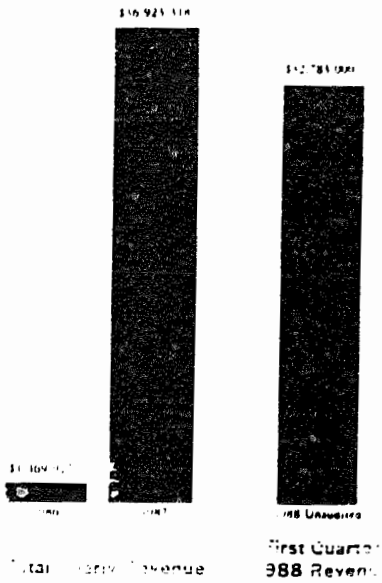
December, 1986

ITI installs its first Northern Telecom DMS 250 switch.

The total number of phones booked reaches 25,445.

ITI's first transatlantic test call is processed.

For the fourth quarter 91,000 operator-assisted calls are recorded.



January, 1987

ITT-Chernow (0+) service agreement is signed.

ITI's new International Call Processing Center becomes operational.

$6 million private placement is completed.

March, 1987

The Company's first-quarter revenue is $2,125,808.

ITI's first Stratus 2000 computer is installed in Dallas.

The total number of phones booked reaches 33,324.

April, 1987

New corporate headquarters is located in the historic Magnolia Building, downtown Dallas.

June, 1987

The Company's second-quarter revenue is $4,303,007.

$15 million public offering is completed.

The total number of phones booked reaches 96,279.

Agreement is signed authorizing Amway to sell ITI TeleCharge™ phones.

July, 1987

ITI and ITT sign a nationwide network sharing agreement.

September, 1987

The Company's third-quarter revenues are $9,341,755.

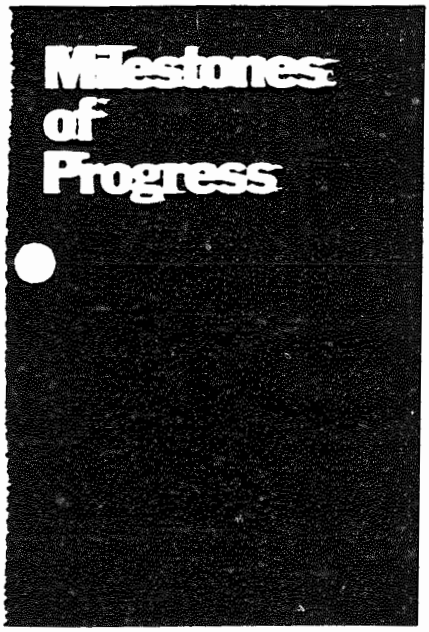
The total number of phones booked reaches 97,483.

November, 1987

ITI secures a $15 million line of credit from Northern Telecom.

ITI becomes the first company to go on-line with U.S. West's data base validation system.

The ITI TeleCharge™ phone manufacturing agreement is signed with Northern Telecom.



December, 1987

The Company's fourth-quarter revenue is $21,352,088.

The Company records its first quarter of profitability.

The total number of phones booked reaches 191,313.

For the fourth quarter 6,529,000 operator-assisted calls are recorded.

The Company's first 10 robotic operator stations go on-line.

January, 1988

Edmund F. Tagg is named President of ITI.

Puerto Rico Telephone Company billing agreement is signed.

ITI's 200th operator work station goes on-line.

February, 1988

$25 million line of credit is acquired from Security Pacific Business Credit, Inc.

The NECA billing agreement for independent telephone companies, is finalized.

The sixth DMS 250 switch is installed.

March, 1988

The Company's first-quarter unaudited revenue is $32,783,000.

$30 million of financing for Charge-A-Call coinless pay phones is obtained from Systems Marketing, Inc.

The Company signs its first maritime agreement with Niagara Communications, Inc.

ITI listed on the American Stock Exchange.

Cellular bus phone agreement with Greyhound.

Operator Handled Calls
1987
95,000
1988
267,405
1989
941,657
1990
2,629,421
1991
6,528,672

Setting The Best Call Processing Center

[illegible] plan in [illegible] grown [illegible] be a year [illegible] Processing Center. [illegible] with would [illegible] unprecedented [illegible] number of operator-

[illegible] meet this challenge, [illegible] for a rapid, [illegible] operators and [illegible] Northern [illegible] switch and [illegible] computer [illegible] operator [illegible] system [illegible] success [illegible] was the

[illegible] rated goal of Operator Services to provide the industry's highest level of operator performance and efficiency.

Toward these goals, we placed special emphasis on operator hiring and training practices. Throughout the year, an average of 300 candidates a week were processed through ITI's career hotline, an innovative screening procedure that pre-qualifies applicants on the basis of voice quality, reading skill and telephone mannerism. After personal interviews and hiring, each new ITI operator completed an intensive training program, including computer operation, simulated call exercises, audiovisual reinforcement and classroom lectures. Following certification, all ITI operators continue to participate in advanced training activities.

By combining highly trained qualified operators with the industry's most technologically progressive computer work stations, the Company achieved a 25% reduction in operator call processing time. This factor is critical to profitability. Our statistics indicate that each time ITI reduces operator call-handling by an average of a single second per call, we can reduce operating costs by $250,000 per year.

ITI, last year, set new standards for the industry in enhanced operator services. This was typified by the Company's response to a growing domestic and international need for multilingual operator capabilities. Currently, AT&T does not provide multilingual operators nationwide. ITI offers 10 languages during peak traffic hours, and five during non-peak periods. In recognition of this proficiency, ITI was accepted as the provider of operator-assisted long distance service for the world press at the Reagan-Gorbachev summit meeting.

ITI offers an advanced and reliable nationwide computer-based emergency response service. AT&T's present system does not provide their operators the capability of pinpointing the exact addresses of all calls. ITI operators, with two quick key strokes, can instantly identify the exact location of any ITI phone, in the U.S., and connect the caller to the specific local emergency service applicable to that phone.

Most operator services considered standard by ITI, are not routinely offered throughout the industry. ITI operators can automatically call up display screens with area code and country code information, for any domestic or international location. Plus, they can handle all coin refund requests and issue immediate call credits.

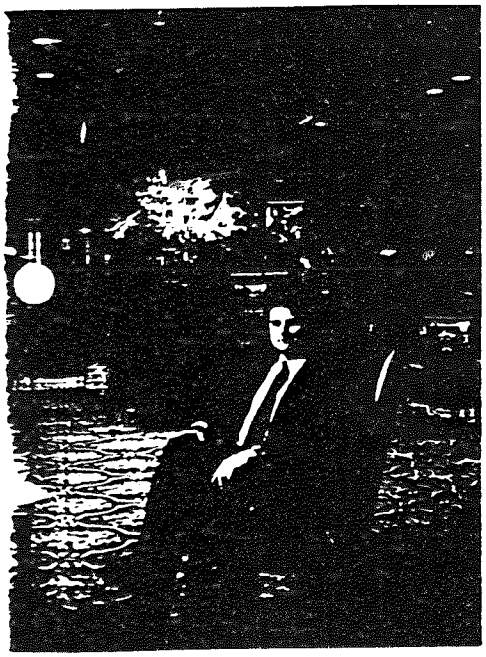
The quality of ITI's operator service is further assured through an internal monitoring program that places random calls to on-duty operators and rates their performance in a variety of categories. This program is also used to motivate and appropriately reward operators through recognition programs and performance salary incentives.

During the fourth quarter of 1986, ITI operators handled 91,000 calls. In the fourth quarter of 1987, they handled 6,529,000 calls. By year-end, our Dallas Center had become larger than any single AT&T or Bell toll center in the nation. Our challenge, in 1988, will be to continue to increase our call processing efficiency and to provide our customers with the best operator services available in the world.

Total Phones Books
1986
23,445
1987
33,324
1988
66,279
1989
97,483
1990
191,313

Building a Successful Sales Force

[illegible] the formation [illegible] sales force [illegible] sales and



[illegible] President of Sales [illegible] the historic [illegible] landmark [illegible] and motels served [illegible]

[illegible] increased [illegible] $500,000 a [illegible]

[illegible]

[illegible]

[illegible]

[illegible]

vendors to put these phones on our service. Based on their satisfaction they began recommending ITI to the private pay phone market. As a result, these vendors became ITI's top sales representatives.

The viability of our marketing approach can be illustrated by the ITI impact on the private pay phone market. At the end of 1987, there were approximately 100,000 private pay phones in the United States, and ITI had 40,000 of these phones under contract and on its network. We achieved a market share of 40% in just one year and now, in 1988, we are continuing our penetration of this market.

We took a similar approach in penetrating the hotel, motel, and hospital markets. In smaller communities, we enlisted a force of top sales representatives, who were already calling on these industries.

ITT-Chernow provides 0+ long distance service to over 600 hotels in major markets across the country. We have an agreement with them to sell our 0+ long distance services to their existing and new hotel properties.

Additionally, we entered into an agreement with the Amway Corporation, making it the principal marketer of our new coinless TeleCharge™ phone.

During 1987, major emphasis was given to strategic planning for ITI's entry into new markets. Prior to the end of 1987, we began testing the shared tenant market, by installing ITI phones in shared condominiums, temporary executive housing and timeshare office buildings. We have also placed emphasis on maritime companies, in both inland waterways and the high seas. In 1988, we are working to secure cellular phone carriers, car rental companies and limousine services. Additionally, we expect to add a significant number of interexchange carrier companies that currently have no way to process operator assisted long distance calls, except through AT&T. We have an agreement to place ITI phones on Greyhound buses, in selected areas of heavy interurban commuter traffic. Finally, there is tremendous revenue potential from the 2,000,000 public pay phones, which is expected to become available through equal access.

Since it is critically important to retain customers after acquiring them, ITI expanded its customer service function during the year, from four representatives to a staff of thirty. In addition to providing customer services, ranging from billing inquiry to technical interface, ITI has expanded its services to include remote programming of all phones newly installed by our vendors nationwide. The department played a key role in maintaining a high level of customer satisfaction during last years soaring growth period.

In 1987, we also developed plans to provide 0+ long distance and enhanced telecommunication services such as teleconferencing and message forwarding. These are features that will further develop our business posture as a total provider of enhanced telecommunication services. In 1988, we will aggressively implement these plans. By providing more services and further identifying new market opportunities, we are confident that we can continue to accelerate the sales momentum created in 1987

Providing Total Support Through Innovative People And New Technology

The mandate for Engineering and Information Systems (EIS) was to provide the technical support necessary to handle the enormous growth in the volume of calls. Our key goal is to remain on the leading edge of technology in providing networking and call processing capabilities to handle this continuously increasing call volume.

Since the Company's beginning, the primary responsibility for EIS was to enhance our automation capabilities, by interfacing modern business computers with telephone switching systems. Development of proprietary software has enabled ITI to significantly increase the intelligence of our call processing system. This advantage provides the ability to offer certain applications and services not available to the competition.

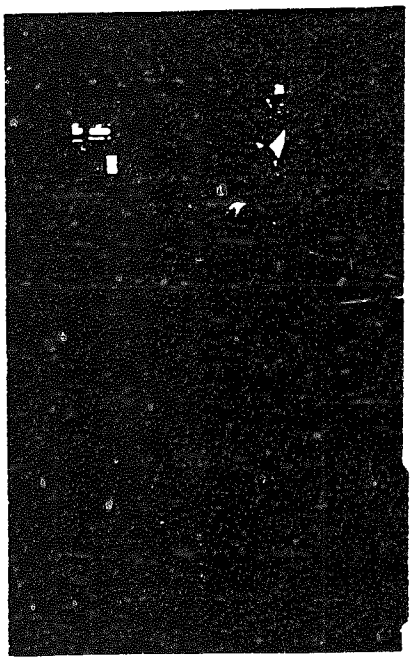
Virtually all of the call related software has been created by ITI's outstanding group of talented designers. Instead of adopting traditional industry software, our designers have developed unique programs that, although proprietary, have drawn widespread interest from the industry.

A significant 1987 milestone was our network expansion. At the beginning of the third quarter, we completed an agreement to share six state-of-the-art Northern Telecom DMS 250 switches and equipment with ITT-USTS. The current switches are located in Atlanta, Chicago, Dallas, Los Angeles, Miami, and New York. We expect to more than triple switch capacity in 1988. This pooling of resources vastly increases our call handling capacity, which was over 6 million calls in the fourth quarter.

During 1987, we also implemented on line access to U S West's billing validation system. Our nationwide utilization of this system is significantly improving the accuracy and quality of ITI's calling card authorization and billing process.

Last year, we made the decision to add robotic operators to the ITI call processing system. Robotic operators are terminals which operate, around the clock, without any human involvement. Employing digitized voice, robotic stations are unerringly adept at handling 10-digit long distance calls. They provide quick assistance in call processing and verification of calling card and credit card calls.

Presently, ITI is the only company offering operator services which



Actual & Projected
Growth in Operator
and Robotic Stations
200
235
335
424
482

Maturing Financially Through Asset Growth and Profitability

In 1987, the Company established its investment credibility, through a process of financial maturing and the achievement of significant growth goals. Through months of rapidly increasing revenues, we reached budgeted profitability in September and had a fourth quarter net income in excess of $1 million. ITI's growth is carefully planned, with profitability being attained primarily through disciplined execution.

Of equal importance was the maturing of the Company's capital resources and liquidity. Growing from $6.9 million in assets at the end of 1986, to $44.5 million at the end of 1987, ITI closed the year with a current ratio of 2:1.

One of 1987's significant financial events was the completion of a $6 million private placement at the end of January. Principal participants included some of the most respected names in the investment community, who provided ITI with an impressive vote of investor confidence. The private placement was critically important to our strategic growth plans. It enabled us to add advanced, high-capacity switches and computers, which extended the Company's ability to process more calls, thereby increasing monthly revenues.

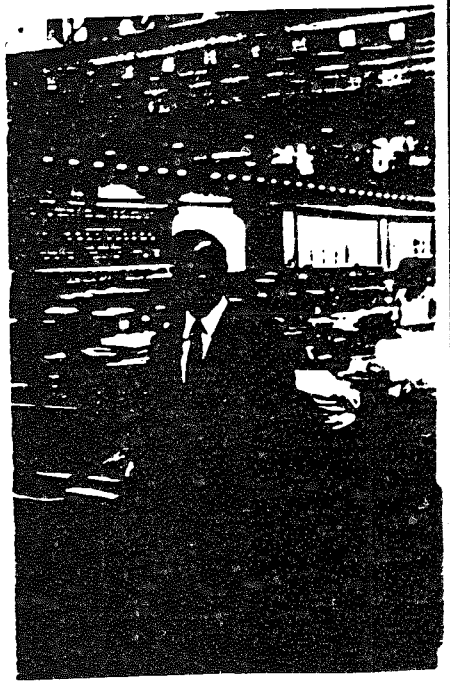
Another financial milestone for 1987 was the June public offering which sold 1,955,000 shares of common stock, yielding gross proceeds of $15,640,000. The event was another vote of confidence at this time from investors in the public sector. As with the earlier private offering, this one provided the cash needed to meet the business plan established for the critical 1987 growth year.

Major suppliers also played an important role in our 1987 success story. In November, Northern Telecom, which manufactures our high-capacity switches, extended us a $15 million line of credit. Systems Marketing, Inc., the company which supplied and financed our operator work stations and associated computer hardware, arranged $30 million in financing. This financing is available to ITI's pay phone distributors nationwide.

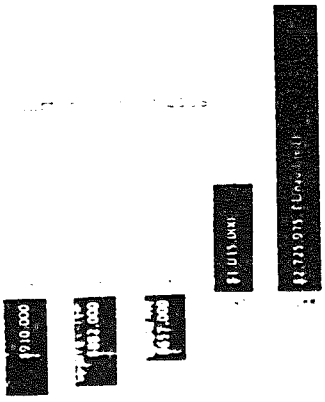
In February of 1988, the Company obtained a $25 million revolving line of credit from Security Pacific Business Credit, Inc. This money secured by ITI's accounts receivables will be used to finance the growth of the Company.

Indicative of our continued growth, the Company had unaudited first quarter 1988 revenues of $32,783,000 and net income of $2,725,975 or $.15 per share fully diluted.

As we proceed, according to plan through 1988, the Company is financially positioned to keep pace with rapid expansion and to take advantage of viable opportunities as they present themselves.



[illegible] President and Chief [illegible] of NBank [illegible] financial [illegible]



Quarterly Revenue
775,000
1Q86
2,126,000
1Q87
4,104,000
2Q87
9,342,000
3Q87
21,352,000
4Q87

Selected Consolidated Financial Data
International Telecharge, Inc.

	Year Ended December 31, 1987	Year Ended December 31, 1986	Period [illegible] December 31, 1985
STATEMENT OF OPERATIONS DATA			
Revenue from telecommunication services (2)	$34,021,550	$ [illegible]	$ —
Net sales of telecommunication equipment	2,504,452	701,46[illegible]	67,915
Interest income	294,833	8,086	—
Other income	102,483	2,851	—
	36,923,318	1,469,927	67,915
Costs and expenses			
Costs of telecommunication services	20,646,808	750,858	—
(exclusive of costs below)	2,208,216	421,282	28,657
Costs of products sold	13,405,12[illegible]	1,938,404	424,640
General and administrative	1,241,007	156,88[illegible]	25,705
Depreciation and amortization	945,443	209,726	14,824
Interest expense-net			
	38,326,584	4,177,153	493,822
Net loss	$(1,403,266)	$(2,707,226)	$(425,907)
Net loss per common share	$(.11)	$(.43)	$(.21)

	As of December 31, 1987	1986	1985
BALANCE SHEET DATA			
Working capital (deficit)	$12,405,030	$ (413,972)	$(539,105)
Total assets	44,497,2[illegible]	6,975,297	564,850
Long-term debt (including current maturities)	19,166,017	4,000,000	449,290
Shareholders equity (deficit)	17,339,935	1,210,144	(485,419)

[illegible]

Management's Discussion and Analysis of Financial Condition and Results of Operations

General

ITI was incorporated in August, 1985, and was inactive until May 2, 1986, when, pursuant to an Agreement of Reorganization, the Company exchanged 4,000,000 shares of its common stock for the outstanding stock of ITI-Texas. ITI-Texas was a development stage company until December 31, 1985. As a result of this transaction, the previous shareholders of ITI-Texas became the holders of approximately 77% of the outstanding shares of the combined entity. The financial information presented in this section reflects the financial data of ITI-Texas and the Company. Reference herein to the Company includes ITI-Texas and the wholly-owned subsidiary, Digital Telecommunication Systems, Inc. ("DTS").

Results of Operations

The Company was in the development stage until December 31, 1985, and incurred significant start-up costs through December 31, 1986, and, to a lesser degree, into 1987. The Company experienced dramatic growth during 1987 with 1987 revenues more than doubling each quarter and being approximately twenty-five times 1986 revenues. Accordingly, the operating results for the period from March 19, 1985, (date of inception) through December 31, 1985, and for the years ended December 31, 1986 and 1987, are not readily comparable nor are they necessarily indicative of future operating results.

The following table summarizes the revenue and operating loss derived from each segment of the Company's business for the years ended December 31, 1987, and 1986:

	Year Ended December 31			
	1987		1986	
	Amount	%	Amount	%
Revenue:				
Telecommunication Services	$34,418,866	93.2	$ 768,464	52.2
Telecommunication Products	2,504,452	6.8	701,464	47.8
Total	$36,923,318	100.0	$1,469,927	100.0
Operating income (loss):				
Telecommunication services	$ 204,219	[illegible]	$(2,379,066)	(87.8)
Telecommunication Products	(1,607,485)	(114.6)	(328,160)	(12.2)
Total	$(1,403,266)	(100.0)	$(2,707,226)	(100.0)

The Company was a development stage company in the period from March 19, 1985, (inception) through December, 1985, and did not report revenue and operating income (loss) by segment. During such period, however, all of the Company's revenue was derived from the telecommunication products segment and its operating loss resulted primarily from the telecommunication services segment.

Telecommunication services revenue for the years ending December 31, 1987 and 1986, included approximately $5,421,000 and $87,000 respectively, representing surcharges which were subsequently paid to Subscribers and included in costs of telecommunication services.

In July 1987, the Company and USTS entered into an agreement to share six TSPS switches and equipment throughout the nation which further increased the Company's capacity. These new switching systems have enabled the Company to significantly increase the number of service orders installed, resulting in increased monthly revenues. At December 31, 1986, the Company had an installed base of about 11,000 rooms/phones which had grown to 91,000 at December 31, 1987. However, the Company's revenue (and operating profit) from telecommunication services could be adversely impacted in the future to the extent to which the Company is required to reduce intrastate rates to those charged by AT&T or the BOC's.

While 1987 revenue from telecommunication services increased to about 45 times 1986's level, the cost of telecommunication services increased about 27 times 1986's level (costs of $20,646,808 in 1987 versus $750,858 in 1986). Cost of telecommunication services represented 61% of 1987's revenue as compared to 99% of 1986's revenue. The improvement during 1987 was due primarily to the increase in revenue and, to a lesser extent, the Company's ability to reduce transmission costs and achieve economies of scale in regard to its operators' handling time.

Revenue from sales of telecommunication products represented 6.8% of 1987 total revenue and this percentage is not expected to increase in 1988. Cost of products sold was 88% of related revenue in 1987, as compared to 60% in 1986. The increase in cost of products sold in 1987 was due to production problems which necessitated a redesign of certain products. The telecommunication products segment had an operating loss of $1,607,485 in 1987 as compared to an operating loss of $328,160 in 1986. The operating loss in 1987 in the telecommunication products segment resulted from margins over costs of products sold which were insufficient to offset the interest expense from the $4,000,000 note incurred in connection with acquisition of inventory and general and administrative costs. The Company is presently evaluating DTS's operations and pricing of its products to determine the extent to which DTS can be made profitable or can reduce its operating loss.

1987 Compared to 1986

The Company's total revenue in 1987 was $36,923,318 as compared to total revenue of $1,469,927 in 1986. Telecommunication services revenue for 1987 was $34,418,866 (93.2% of total revenue) as compared to $768,464 (52.5% of total revenue) for 1986. The telecommunication services segment had operating profit of $204,219 in 1987 as compared to an operating loss of $2,379,066 in 1986. The dramatic growth in revenue and improvement in profitability during 1987 was due to several factors. The telecommunication services segment did not begin generating significant revenue until August 1986. In addition, the growth of such segment was limited in the latter part of 1986 and early part of 1987 due to capacity constraints of the Company's initial TSPS system. A second and more advanced switching system was installed and became operational in late January 1987. Additionally,

General and administrative costs for 1987 represented 46% of total revenue as compared to 180% for 1986. The high percentage for 1986 resulted primarily from the start-up costs incurred to develop, design, test, and market the Company's telecommunication services. These costs, as a percentage of revenue, decreased each quarter of 1987, and further reductions are expected. Included in these costs for 1987 are approximately $700,000 in non-recurring costs associated with stock and stock options granted in connection with the retention of three officers. Additionally, a part of the increase in absolute dollars of 1987 general and administrative costs may be attributed to the Company's bad debt expense due to delays in implementation of certain billing agreements. The delays have been corrected and the Company, therefore, expects that such expense will decrease as a percentage of revenues in 1988.

Interest expense increased to $935,432 in 1987 as compared to $209,726 in 1986. The increase in interest expense in 1987 is due to the financing of equipment (primarily the DMS-250 switches and related computer hardware).

Depreciation and amortization increased to $1,231,007 in 1987 as compared to $156,885 in 1986. This increase is due to equipment purchases, primarily during the latter half of 1987, made in connection with the expansion of the Company's nationwide switching system.

The Company believes that inflation has not been a significant factor in its operations, and that its operations are not subject to significant seasonal fluctuation.

As a result of the net operating loss carry forwards available to the Company, the Tax Reform Act of 1986 did not impact the Company's operations or liquidity in 1987. In future years, the reduction of the corporate tax rate may favorably affect the Company's results of operations. Additionally, the Company was not adversely affected by the elimination of the investment tax credit, again, due to the NOL position.

Liquidity and Capital Resources

The Company's industry is a capital intensive industry. To date, the Company has used internally generated funds, borrowings, lease arrangements, joint venture arrangements and proceeds from sales of equity securities to expand its nationwide switching system and finance its high rate of growth. During 1987, the Company's liquidity and capital resources improved significantly as indicated by the following:

	As of December 31	
	1987	1986
Current Assets	$23,294,250	$1,182,147
Total Assets	14,497,275	11,475,207
Working capital (deficit)	12,405,030	(115,972)
Long-term debt (including capital lease obligations)	5,268,120	7,49,522
Shareholders equity (deficit)	7,330,948	(1,210,144)

In January 1987, the Company sold 4,800,000 shares of common stock in a private sale yielding gross proceeds of $6,000,000. In June 1987, the Company publicly sold 1,955,000 shares of common stock yielding gross proceeds of $15,640,000

Long-term debt consists of two notes: one incurred in connection with the purchase of inventory by DTS (a subsidiary), bearing interest at 11.5% with monthly payments of $87,970, for principal and interest, through April 1, 1990, with a final payment due on May 1, 1990 This note is secured by the related inventory and a guarantee by the Company

Secondly, on November 2, 1987, the Company entered into an agreement authorizing the Company to draw up to $15,300,000 in credit to be used to acquire network switches from a supplier. As of December 31, 1987, the Company had drawn down $10,649,944 under this agreement. The loan is payable in equal quarterly installments, including principal and interest, over five years at 12.5% per annum. The financing of this note is provided by a financing subsidiary of the manufacturer of the switch and the note is secured by the related equipment. These two note agreements, in conjunction with the receivables financing agreement discussed below include collectively, as restrictions, among other things, certain mergers, incurring or guaranteeing certain additional indebtedness, paying any dividends, lending money or selling inventory or equipment outside the ordinary course of business and certain financial covenants with which the Company must continue to comply with.

The Company leases most of its computer hardware and related equipment under capital lease arrangements with terms from two to five years. These leases generally may be renewed or the related equipment may be purchased at the Companys option, usually at fair market value. The amount of equipment acquired in 1987 under capital leases was $5,333,648, with total minimum lease payments of $5,932,086 at December 31, 1987.

On February 8, 1988, the Company obtained a $25 million revolving line of credit secured principally by the Companys accounts receivable. This line of credit is for an initial three year term and bears interest at prime plus 1¼%. Funds drawn under this line will be used primarily to finance the continued rapid growth of the Company. To date, the Company has drawn down approximately $4.5 million

Net capital expenditures during 1987 were approximately $19 million, consisting primarily of switching systems and computer hardware equipment. The switching systems are financed by the manufacturer of the equipment, while the computer hardware is generally financed through capital lease arrangements. During 1988, the Company will need additional switches and additional computer related hardware. In anticipation of this, the Company recently signed a letter of intent, evidencing the intention of the parties to negotiate definitive agreements increasing ITI's present $15.3 million credit line, with a financing subsidiary of the switch supplier, to $30.3 million.

The Company will continue to have certain ongoing financing requirements, primarily in the expansion of its switching system and operator service facilities. The Company anticipates fulfilling these requirements by vendor financing, internally generated funds and existing credit facilities.

Consolidated Balance Sheets
International Technology

ASSETS

	December 31	
	198[illegible]	1986
CURRENT ASSETS		
Cash	$ 1,532,[illegible]	$ 252,060
Accounts receivable, less allowance of $1,187,[illegible] and $18,04[illegible] in 198[illegible] and 1986, respectively — Note B	[illegible],008,081	284,179
Unbilled revenue, less allowance for doubtful accounts of $800,000 in 198[illegible] — Note B	[illegible],217,622	599,654
Inventories — Notes B and C	4,466,49[illegible]	[illegible],022,580
Prepaid expenses	69,289	23,674
TOTAL CURRENT ASSETS	[illegible],294,250	[illegible],182,147
INVENTORY IN EXCESS OF CURRENT REQUIREMENTS — Notes B and C	—	754,000
PROPERTY AND EQUIPMENT (at cost) — Notes B, E, F and I		
Equipment	18,419,990	1,445,236
Software systems	275,583	232,347
Furniture and fixtures	403,807	59,303
Leasehold improvements	799,087	33,936
	19,797,867	1,768,822
Less allowance for depreciation and amortization	1,279,619	130,727
	18,518,248	1,638,095
OTHER ASSETS		
Capitalized software development costs, less amortization of $92,189 in 198[illegible] — Note B	712,442	—
Deposits	944,634	319,779
Other	27,701	81,276
	1,684,777	401,055
	$44,49[illegible],[illegible]	$6,975,207

[illegible] to consolidated financial statements

Liabilities and Shareholders' Equity

	December 31	
	1987	1986
CURRENT LIABILITIES		
Notes payable — Notes E and I	$ —	$1,050,000
Advances payable — Note G	—	1,450,000
Accounts payable	6,058,970	1,114,591
Accrued expenses	1,932,353	660,950
Customer deposits	—	109,900
Current portion of long-term debt and capital lease obligations — Notes D & F	3,897,897	410,678
TOTAL CURRENT LIABILITIES	11,889,220	4,596,119
LONG-TERM DEBT — Note D	11,854,699	1,589,322
LONG-TERM PORTION OF CAPITAL LEASE OBLIGATIONS — Note D	1,413,421	—
SHAREHOLDERS' EQUITY — Notes G, H, I and J		
Senior Convertible Cumulative Voting Preferred Stock, $.01 par value, 4,100,000 shares authorized, 1,099,937 shares issued and outstanding in 1986	—	10,999
Common Stock, $.01 par value, 20,000,000 shares authorized, 14,430,099, and 7,500,000 shares issued and outstanding in 1987 and 1986, respectively	144,301	75,000
Additional capital	22,211,283	2,234,990
Deficit	(4,934,399)	(3,531,133)
Less treasury shares, at cost — Note I	(81,250)	—
	17,339,935	(1,210,144)
COMMITMENTS AND CONTINGENCIES — Notes F and M	$44,497,275	$6,975,297

Consolidated Statements of Operations
International Telecharge, Inc.

	[illegible]	[illegible]	[illegible]
Revenue from telecommunication services — Note B	$14,021,550	$[illegible]	$ —
Net sales of telecommunication products	2,504,452	711,463	67,915
Interest income	294,844	8,086	—
Other income	102,488	2,951	—
	16,923,318	609,927	67,915
Costs and expenses			
Costs of telecommunication services (exclusive of costs below)	20,646,808	750,858	—
Costs of products sold	2,208,210	121,282	28,657
General and administrative	15,505,121	2,638,404	823,636
Depreciation and amortization	231,007	56,888	25,709
Interest expense	168,442	200,726	13,824
	18,526,584	[illegible]	891,822
NET LOSS	$(1,403,266)	$(2,707,226)	$(823,907)
Net loss per common share — Note B	$(.11)	$(.44)	$(.21)
Weighted average number of common shares outstanding	13,076,000	6,415,000	4,000,000

Consolidated Statements
International Telecharge, Inc.

	Year Ended December 31,		Period From Date of Inception (January 31, 1983) to December 31,
	1987	1986	
Cash flows from operating activities			
Net loss	$(11,403,266)	$(2,707,226)	$ (823,907)
Adjustments to reconcile loss from Operations to net cash provided (Used) by operating activities			
Depreciation and amortization	1,231,007	156,885	25,705
Grants of warrants and stock not affecting cash	645,938	120,625	—
Other shareholders equity items not affecting cash	(54,997)	42,840	104,018
Changes in operating assets and liabilities:			
Increase in accounts receivable	(12,723,902)	284,179)	—
Increase in unbilled revenue	(4,617,968)	599,654)	—
Increase in inventories	689,917	614,156)	(62,424)
Increase in prepaid assets	(45,615)	20,121)	(13,553)
Increase in accounts payable	4,944,379	733,189	121,402
Increase in accrued expenses	1,471,405	297,248	163,702
(Increase) decrease in other assets and other liabilities	(681,180)	333,030)	(9,986)
Net cash used by operating activities	(11,924,118)	3,147,581)	(385,043)
Cash flows from investing activities:			
Purchases of property and equipment	(12,773,073)	1,093,874)	(293,552)
Investment in capitalized software	(804,631)	—	—
Proceeds from disposals of property and equipment	87,750	—	—
Net cash used in investing activities	(13,489,954)	1,093,874)	(293,552)
Cash flows from financing activities:			
Net (payments) borrowings of short-term debt	(410,678)	109,268)	—
Proceeds from long-term borrowings	10,856,349	—	743,760
Principal payments on long-term borrowings	(206,402)	65,022)	(60,000)
Principal payments on installment lease obligations	(406,900)	—	—
Proceeds from sale of common and preferred stock	19,443,654	963,640	—
Repurchase of common stock	(51,250)	—	—
Borrowing (payments) of notes payable (net)	1,050,000)	1,149,000	—
Borrowing (repayment) of advances payable — Note G	(1,450,000)	450,000	—
Net cash provided by financing activities	26,694,773	3,488,350	683,760
Net increase in cash and equivalents	1,280,701	246,895	5,165
Cash and cash equivalents at beginning of year	252,060	5,165	—
Cash and cash equivalents at end of year	$1,532,761	$ 252,060	$ 5,165

Consolidated Statements of Shareholders' Equity
International Telecharge, Inc.

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Balance at March 18, 1985 (none)						
Issuance of 74,375 shares of $1.00 par value common stock at ITI-Texas in exchange for leased equipment	$ —	$74,375	$ —	$ —	$ —	$ 74,375
Issuance of 21,250 shares of $1.00 par value common stock at ITI-Texas for services rendered	—	21,250	—	—	—	21,250
Issuance of 4,375 shares of $1.00 par value common stock at ITI-Texas for debt	—	4,375	—	37,723	—	42,098
Exchange of 100,000 shares of $1.00 par value common stock of ITI-Texas for 4,000,000 shares of $.01 par value common stock of ITI-Delaware	—	(60,000)	—	60,000	—	—
Net loss for the period from March 19, 1985 through December 31, 1985	—	—	—	—	(823,907)	(823,907)
Contributions to capital for conversion of debt and accrued interest payable	—	—	—	200,765	—	200,765
Balance at December 31, 1985	—	40,000	—	298,488	(823,907)	(485,419)
Issuance of 1,000,000 shares of $.01 par value common stock to stockholders of Metropolitan Resources	—	10,000	—	33,500	—	43,500
Issuance of 14,756 shares of $1.00 par value common stock of ITI-Texas for services rendered	—	14,756	—	—	—	14,756
Sale of 660 shares of $1.00 par value common stock of ITI-Texas	—	660	—	12,980	—	13,640
Sale of 633,270 shares of $.01 par value preferred stock and 2,000,000 shares of $.01 par value common stock	6,332	20,000	—	1,023,668	—	1,050,000
Contributed capital — Note J	—	—	—	205,396	—	205,396
Issuance of 466,667 shares of $.01 par value preferred stock and 500,000 shares of $.01 par value common stock in exchange for notes payable	4,667	5,000	—	540,333	—	550,000
Issuance of warrants to purchase 600,000 shares of $.01 par value common stock at $1.25 per share	—	—	—	37,500	—	37,500
Issuance of warrants to purchase 1,000,000 shares of $.01 par value common stock at $1.25 per share	—	—	—	62,500	—	62,500
Issuance of warrants to purchase 275,000 shares of $.01 par value common stock at $1.50 per share	—	—	—	20,625	—	20,625
Net loss for 1986	—	—	—	—	(2,707,226)	(2,707,226)
Cancellation of 15,416 shares of $1.00 par value ITI-Texas stock in connection with combination with Metropolitan Resources	—	(15,416)	—	—	—	(15,416)
Balance at December 31, 1986	10,999	75,000	—	2,234,990	(3,531,133)	(1,210,144)
Sale of 4,800,000 shares of $.01 par value common stock at $1.25 per share — Note I	—	48,000	—	5,844,926	—	5,892,926
Conversion of 1,099,937 shares of $.01 par value preferred stock to 466,646 shares of $.01 par value common stock — Note J	(10,999)	5,666	—	5,333	—	—
Cancellation of 250,000 shares of $.01 par value common stock — Note I	—	(2,500)	—		—	(2,500)
Cumulative preferred dividends	—	—	—	(54,997)	—	(54,997)
Sale of 1,955,000 shares of $.01 par value common stock at $8.00 per share, net of issuance costs — Note I	—	19,550	—	13,520,553	—	13,540,103
Issuance of 8,500 shares at $1.25 per share upon exercise of stock options — Note H	—	85	—	10,540	—	10,625
Issuance of 50,000 shares to two officers — Note I	—	500	—	249,500	—	250,000
Grant of stock options — Note H	—	—	—	398,438	—	398,438
Repurchase of shares — Note I	—	—	(81,250)		—	(81,250)
Net Loss for 1987	—	—	—		(1,403,266)	(1,403,266)
Balance at December 31, 1987	$ —	$144,401	$(81,250)	$22,211,283	$(4,934,399)	$17,339,935

(See accompanying notes to financial statements)

Note A — Organization and History

International Telecharge, Inc. (the "Company") was incorporated in the State of Delaware on August 2, 1985, under the name Metropolitan Resources, Inc. The Company had no operations, and it was intended that the Company would not have any operations until it was combined with an operating enterprise.

On May 2, 1986, the Company issued 4,000,000 shares of its common stock to the shareholders of International Telecharge, Inc., a Texas corporation ("ITI-Texas"), in exchange for all of the outstanding capital stock of ITI-Texas pursuant to an Agreement and Plan of Reorganization among the Company, ITI-Texas and the shareholders of ITI-Texas. This reorganization has been accounted for as if it occurred on March 19, 1985, date of inception, and ITI-Texas was the surviving entity.

ITI-Texas was incorporated on March 18, 1985, as United Payphones, Inc. and changed its name to International Telecharge, Inc. in December 1985, and to International Telecharge of Texas, Inc. in November 1986. In 1985, ITI-Texas was a development stage company. While ITI-Texas currently holds certain of the assets and is responsible for certain of the liabilities of the Company on a consolidated basis, the operations of the Company are substantially conducted by the Company and not ITI-Texas.

In October 1986, the Company formed a wholly-owned subsidiary, Digital Telecommunication Systems, Inc. ("DTS"), which manufactures telecommunication products.

The 1985 financial statements are those of ITI-Texas as of December 31, 1985, and for the period from March 19, 1985 (date of inception) through December 31, 1985.

Note B — Summary of Significant Accounting Policies

Consolidation: The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Cash: In November 1987, the Financial Accounting Standards Board issued FAS #95 on the statement of cash flows. The Company adopted the statement in 1987 and has restated all prior periods. The Company considers all highly liquid investments with maturities of ninety days or less to be cash equivalents.

Inventories: Inventories are stated at the lower of cost or market, cost being determined on a first-in, first-out (FIFO) basis.

Property and Equipment: Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful life of the asset or the term of the lease, if shorter.

Revenue and Unbilled Revenue: Telecommunication services revenue is recognized when Subscribers customers use telecommunication services. Included in telecommunication services revenue are surcharges earned in the amount of $5,926,799 and $106,568 for the years ended December 31, 1987 and 1986, respectively. Of these surcharges, $5,421,024 and $87,055 for the years ended December 31, 1987 and 1986, respectively, have been remitted to Subscribers and are included in costs of telecommunication services. Sales of the telecommunication products are recognized upon shipment.

Unbilled revenue represents services rendered but not yet billed as of the balance sheet date.

Research and Development Expenditures: The Company capitalizes certain software development costs.

Capitalization of software development costs begins upon the establishment of technological feasibility. The establishment of technological feasibility and the ongoing assessment of recoverability of capitalized software

development costs requires considerable judgment by management with respect to certain external factors, including, but not limited, to technological feasibility, anticipated future gross revenues, estimated economic life and changes in software and hardware technologies. Amortization of capitalized software costs is provided on a product-by-product basis using the straight-line method over the remaining estimated economic life of the product. Generally, an original estimated economic life of five years is assigned to capitalized software development costs.

All other research and development expenditures are charged to expense in the period incurred.

Income Taxes: For income tax purposes, property and equipment are depreciated, using applicable federal income tax methods which result in different depreciation expense than that recorded in the financial statements. Deferred income taxes will be recorded for these timing differences when the Company utilizes its net operating loss carry forwards.

Loss per Common Share: Loss per common share is computed by dividing the net loss, increased in 1986 by the cumulative preferred dividends in arrears of $54,997 ($.05 per preferred share), by the weighted average number of common shares outstanding.

Reclassification: Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

Note [illegible] — Inventories

Inventories consist of the following

	December 31, 1987	December 31, 1986
Finished goods	$ 418,400	$ 115,486
Work in process	549,904	443,661
Raw materials and purchased parts	[illegible]	[illegible]
	[illegible]	[illegible]
Less inventory in excess of current requirements	—	[illegible]
	[illegible]	[illegible]

The inventory in excess of current requirements at December 31, 1986, related to inventory acquired in October 1986 (Note D) which, in the opinion of management, would not have been used within one year.

Note [illegible] — Long-Term Debt and Purchase of Assets

On October 1, 1986, of the Company's subsidiaries, DTS, issued a note for $4,000,000 bearing interest at 11.5%. The note was issued for the purchase of $3,824,000 in inventory and $176,000 in equipment. The note is payable in monthly payments of $87,970 for principal and interest through April 1, 1990, with a final payment due on May 1, 1990. The note is collateralized by the assets purchased and is guaranteed by the Company. In addition, the seller received warrants to purchase 40,000 shares of common stock of DTS at par value of $.0001. If these warrants are exercised, the common stock issued would amount to two percent of the outstanding common stock of DTS. The warrants are exercisable at any time between October 1, 1988, and September 30, 1996, and may be cancelled if the note is prepaid on or before September 30, 1988.

On November 2, 1987, the Company entered into an agreement authorizing the Company up to $15,300,000 in credit to be used to acquire network switches. As of December 31, 1987, the Company had drawn down $10,649,944 under this agreement. The amount drawn is collateralized by the switches and is payable in equal quarterly installments, including principal and interest, over five years at 12.54% per annum.

	December 31, 1987	December 31, 1986
Long-term debt	$14,239,269	$4,000,000
Less current maturities	2,384,570	410,678
	$11,854,699	$3,589,322

Following are maturities of long-term debt for the next five years at December 31, 1987

1988	$2,384,570
1989	2,677,989
1990	4,321,367
1991	2,455,161
1992	2,400,182

Note E — Notes Payable

Notes payable consisted of the following at December 31, 1986, and were repaid during 1987:

Note payable to distributor bearing interest at 10%	$ 50,000
Note payable to a Savings & Loan association, collateralized by computer and related equipment, interest at 14% per annum	400,000
Draws against revolving line of credit with a director/stockholders' company, bearing interest at prime plus 1½%, due on demand	600,000
	$1,050,000

Note F — Lease Commitments

The Company leases most of its computer and related equipment under capital leases. These leases are from two to five years and generally may be renewed, or the related equipment may be purchased at the Company's option. These leases contain no contingent rentals.

Property and equipment includes the following amounts for leases that were capitalized during 1987:

Equipment	$5,333,648
Less allowances for amortization	(528,720)
	$4,804,928

Amortization of leased assets is included in depreciation and amortization expense.

The Company leases its offices and warehouse facilities, and certain office equipment, under operating leases expiring in various years through 1996.

Future minimum payments under capital leases and non-cancellable operating leases with initial terms of one year or more consisted of the following at December 31, 1987:

	Capital Leases	Operating Leases
1988	$2,103,261	$ 961,848
1989	[illegible]	235,494
1990	595,405	962,613
1991	241,662	929,341
1992	214,345	976,937
Thereafter	—	544,707
Total minimum lease payments	3,942,080	$6,610,940
Amounts representing interest	1,005,332	
Present value of net minimum lease payments (including current portion of $1,513,327)	$4,926,748	

Lease expense amounted to $656,527, $101,446, and $19,946 in 1987, 1986, and 1985, respectively.

Interest payments on all debt including capital leases totaled $924,717, $164,506, and $5,337 in 1987, 1986, and 1985, respectively.

Note G — Warrants

At December 31, 1987 and 1986, the Company had outstanding warrants and commitments to issue warrants to purchase 1,875,000 shares of the Company's common stock at prices ranging from $1.25 to $1.50 per share. The $120,625 value assigned to the 1,875,000 warrant was charged to expense during 1986.

During 1986, warrants to purchase 500,000 shares of common stock were issued to a director/stockholder and warrants to purchase 500,000 shares of common stock were issued to a company, controlled by the same director/stockholder, in connection with borrowings of $600,000 under a revolving line of credit of $700,000, extended by a company controlled by the director/stockholder. These warrants are exercisable through September 9, 1991.

The Company issued warrants to purchase 1,000,000 shares of common stock (of which one warrant for 900,000 shares was issued to an individual who became a director/stockholder), in connection with the private sale of common stock in January 1987, in consideration of non-interest bearing cash advances made through December 31, 1986, to the Company, in the amount of $1,450,000. The advances were repaid in January 1987. These warrants are exercisable through December 31, 1991.

As described in Note J, on January 29, 1987, the Company also issued warrants to purchase 275,000 shares of the Company's common stock at $1.50 per share, which are exercisable through September 30, 1992.

Note H — Stock Options

The Company has two stock option plans, an incentive stock option plan, and a "nonqualified" plan. No shares were available for future grants under either of the plans as of December 31, 1987 or 1986.

Under the terms of the incentive stock option plan, options to purchase shares of the Company's common stock may be granted at a price not less than the market price of the stock at the date of grant. These options are exercisable in annual increments of 33⅓% of the total options granted over three years on the anniversary date of the award. As of December 31, 1987 and 1986, 200,000 options at an exercise price of $1.00 per share had been granted, and were outstanding, under this plan.

Unrelated to the above described stock option plan, under the terms of the Company's amended nonqualified stock option plan, 2,574,500 options and 1,596,000 options, with exercise prices ranging from $1.25 to $5.00 per share, were granted and outstanding at December 31, 1987 and 1986, respectively. The plan was amended to provide for additional options to be granted during 1987. These options are generally exercisable in annual increments of [illegible]% of the total options granted over three years on the anniversary dates of the awards.

On December 1[illegible], 1987, the Company issued options to purchase 250,000 shares of common stock at $5.00 per share to an officer of the Company. These options vest 25% [illegible] of year, beginning on the officer's employment date. The total compensation expense to be incurred by the Company in connection with this transaction is $1,5[illegible]. Of this amount, $598,458 was recorded in 1987, with the remainder to be recorded over the term of the officer's employment agreement.

Information relating to stock options is summarized as follows:

	Number	[illegible]	Aggregate [illegible]
Options Outstanding Beginning of Year	[illegible]	$[illegible] to $[illegible]	$2,195,000
Options Granted	[illegible]	$[illegible] to $5.00	[illegible]
Options Exercised	(8,500)	$1.25	(10,625)
Options Cancelled	(611,500)	$1.25	(764,376)
Options Outstanding At The End of Year	2,766,000		$9,969,049
Shares Reserved for Future Warrants and Options	1,041,000		
Exercisable at December 31, 1987	934,000		

	Number	[illegible]	Aggregate [illegible]
Options Outstanding Beginning of Year	—		—
Options Granted	[illegible]	$[illegible] to $[illegible]	$2,195,000
Options Exercised	—		—
Options Cancelled	—		—
Options Outstanding At The End of Year	1,796,000		$2,195,000
Shares Reserved for Future Warrants and Options	[illegible]		
Exercisable at December 31, 1986	—		

Note I — Common and Preferred Stock

During 1987, the Company publicly sold 1,955,000 common shares, including an underwriter over allotment of 255,000 shares, at $8.00 per share. In connection with the public stock sale, the Company repurchased 65,000 shares at $1.25 per share, which was the original sales price of these shares during the January 1987 private stock sale discussed below.

On January 29, 1987, the Company had a private sale of 4,800,000 shares of common stock at $1.25 per share. As a condition to this private sale, all preferred stock was converted to common stock (as discussed below) and options granted to an officer/director, and another director of the Company, to purchase 400,000 shares of common stock at $2.00 per share were cancelled.

During 1986, the Company issued 466,667 shares of Series A and 633,270 shares of Series B Senior Convertible Cumulative Voting Preferred Stock. During 1987, the Company converted all of the preferred shares outstanding by issuing 566,646 common shares (one share of common stock for every three shares of preferred stock).

Note J — Related Party Transactions

In addition to the related party transactions discussed in Note G, the Company issued to another director and a company controlled by that director, 500,000 shares of common stock and 166,667 shares of preferred stock, in exchange for notes of ITI-Texas, in the aggregate principal amount of $250,000. The notes evidenced $250,000 in cash loans made to ITI-Texas on April 25, 1986.

On April 25, 1986, an officer/director and another stockholder, each purchased 125,000 shares of common stock of the Company for $10,000 ($20,000 in the aggregate). In connection with the private sale discussed in Note I, on January 29, 1987, warrants to purchase 275,000 shares of common stock at $1.50 per share were granted in consideration of the cancellation of the 250,000 shares of common stock issued (see Note G).

During 1986, the Chief Executive Officer of the Company donated computer software to the Company. An independent appraisal obtained for the portion of the software used by the Company gave a value of $200,077 to the software. This amount is included in the 1986 contributed capital amount of $205,[illegible]

During 1986 and 1985, the Company incurred $115,965 and $[illegible] respectively, in legal fees with a law firm of which a partner is a stockholder, and former director of the Company. During 1987, the Company issued 50,000 shares of common stock to two officers of the Company as an inducement for employment.

Note K — Income Taxes

The Company has net operating loss carry forwards for tax purposes of $4,625,000 at December 31, 1987 that expire as follows:

Year	Amount
2000	$ 800,000
2001	2,752,000
2002	1,073,000
	$4,625,000

In December 1987, the Financial Accounting Standards Board issued FAS #96 "Accounting for Income Taxes". In the opinion of management, implementation of this statement will not have a material effect on the Company.

Note L — Business Segments

During 1987 and 1986, the Company operated in two industry segments. Financial data by business segment follows:

Year Ended 12/31/87	Telecommunication Services	Telecommunication Products	Consolidated
Sales	$34,021,550	$2,504,452	$36,526,002
Operating Profit (Loss)	204,219	(1,607,485)	(1,403,266)
Identifiable assets	40,235,009	5,262,266	44,497,275
Depreciation & amortization expenses	182,679	68,328	251,007
Capital expenditures	18,878,943	9,656	18,878,599
Year Ended 12/31/86			
Sales	768,464	701,463	1,469,927
Operating Loss	(2,379,066)	(328,160)	(2,707,226)
Identifiable assets	5,020,089	1,879,123	6,899,212
Depreciation & amortization expenses	147,514	9,369	156,883
Capital expenditures	1,279,553	195,717	1,475,270

Note M — Contingencies

The Company is involved in certain litigation incurred in the normal course of business. In the opinion of management, any settlements of this litigation would not have a material adverse effect on the Company.

Note N — Subsequent Event

On February 8, 1988, the Company obtained a $25 million revolving line of credit secured principally by the Company's accounts receivable. This line of credit is for an initial three year term and bears interest at prime plus 1½%

Report of Independent Auditors

Stockholders and Board of Directors
International Telecharge, Inc.
Dallas, Texas

We have examined the balance sheets of International Telecharge, Inc. and subsidiaries as of December 31, 1987 and 1986, and the related statements of consolidated income, shareholders equity and cash flows for each of the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of International Telecharge, Inc. and subsidiaries at December 31, 1987 and 1986, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst + Whinney

Dallas, Texas
February 5, 1988

Report of Independent Auditors

Stockholders and Board of Directors
International Telecharge, Inc.
Dallas, Texas

We have examined the balance sheet of International Telecharge, Inc. (a development stage company) as of December 31, 1985, and the related statements of operations, shareholders deficiency, and cash flows for the period from March 19, 1985 (inception) through December 31, 1985. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Company was in the development stage during 1985, with its primary activity of developing and acquiring equipment, software, personnel and a capital structure to provide credit-card billed long-distance telephone services. The Company did not have any significant sales revenue from that activity as of December 31, 1985.

In our report dated April 29, 1986, our opinion on the 1985 financial statements was qualified subject to the effects of such adjustments, if any, as might have been required, had the outcome of the Company's ability to develop working capital and meet creditors and lenders demands for payment been known. In the period subsequent to April 29, 1986, the Company has been able to develop working capital and to meet creditors and lenders demands for payments. Accordingly, our present opinion on the 1985 financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, the financial statements referred to in the first paragraph above present fairly the financial position of International Telecharge, Inc. as of December 31, 1985, and the results of its operations and cash flows for the period from March 19, 1985 (inception) through December 31, 1985, in conformity with generally accepted accounting principles.

PHILIP VOGEL & CO. PC

Certified Public Accountants

Dallas, Texas
February 19, 1987

Common Stock Information

Prior to the Company's listing on the National Association of Securities Dealers Automated Quotation System (NASDAQ) in late April 1987 and the Boston Stock Exchange in June 1987, in conjunction with the Company's public stock offering, in June 1987, there was limited trading of the Common Stock as quoted to the Company. The midday high and low bid quotations for the Common Stock through the first quarter of 1987, as quoted to the Company, on a daily basis, by one of the market makers, Dallas Securities Investment Corporation, were $2⅞ and $1¼, respectively, for the third quarter of 1986; $6 and $3¾, respectively, for the fourth quarter of 1986; and $8[illegible] and $5½, respectively, for the first quarter of 1987. Because of the limited volume of transactions, the market quotations for the Common Stock, by such market makers, did not necessarily represent the actual value of the Common Stock for any period quoted.

High and low (bid) stock prices subsequent to the Company's public offering in June 1987 were:

Quarter Ended	High	Low
June 30	9⅝	[illegible]
September 30	14⅛	[illegible]
December 31	12	[illegible]

The above quotations represent prices between dealers without adjustment for retail markups, markdowns or commissions, and may not necessarily represent actual transactions.

Effective March 4, 1988, the Company's stock began trading on the American Stock Exchange under the symbol ITI. Accordingly, trading of the Common Stock on the NASDAQ System was ceased, and the Company is in the process of delisting from the Boston Stock Exchange.

At February 29, 1988, there were 14,646,242 shares of Common Stock outstanding, held by 1,135 stockholders.

Annual Meeting

The 1988 Annual Meeting of Shareholders will be held on June 10, 1988 at 11:00 a.m. at 650 South Griffin Street, Room — N401, Dallas, Texas 75202.

Annual Report/10-K

For additional copies of this Annual Report or copies of the Company's Report on Form 10-K for 1987 to the Securities and Exchange Commission, send a request in writing to

Corporate Secretary
International Telecharge, Inc.
1108 South Akard
Dallas, Texas 75202

Dividends

The Company has not paid any common stock dividends since its inception. The Company paid $54,997 in preferred stock dividends during the first quarter of 1988.

Executive Offices

International Telecharge, Inc.
1108 South Akard
Dallas, Texas 75202
(214) 744-0240

Transfer Agent

First City Bank of Dallas
Dallas, Texas

Attorneys

Stroock, Stroock & Lavan
Los Angeles, California

Auditors

Ernst & Whinney
Dallas, Texas

Board of Directors

G. Ray Miller
Chairman of the Board of Directors
and Chief Executive Officer
International Telecharge, Inc.

Edmund F. Tagg
President and Chief Operating Officer
International Telecharge, Inc.

Hamilton F. Richardson
Chairman of the Board
NCF, Inc.
(Direct Marketing)

J. Anthony Forstmann
Co-Chairman of the Board of Directors
Forstmann-Leff Associates
(Investment Advisors)

Raymond D. Nasher
Chairman of the Board of Directors
NorthPark National Bank of Dallas
Chairman of the Board of Directors
and President
Nasher Company
(Real Estate Development)

Michel C. Bergerac
(Investments)

Ernest J. Porcelli
President
Digital Telecommunication
Systems, Inc.

Bryan L. Herrmann
President and Director
Morgan, Olmstead, Kennedy &
Gardner Capital Corporation
(Investment Banking)

Officers

G. RAY MILLER
Chairman
Chief Executive Officer

EDMUND F. TAGG
President and
Chief Operating Officer

ERNEST J. PORCELLI
President
Digital Telecommunication
Systems, Inc.

JOSEPH R. CORTNEY
Executive Vice President
Sales and Marketing
Digital Telecommunication
Systems, Inc.

M. KATHY DELAHOUSSAYE
Executive Vice President
Operator Services

H. PAUL FREELS
Executive Vice President
Regulatory

JERRY L. GIMNICH
Executive Vice President
Engineering and
Information Systems

RONALD L. PLUNKETT
Executive Vice President
Chief Financial Officer

JAMES W. SMITH
Executive Vice President
Sales and Marketing

ALEX D. DASPIT
Senior Vice President
Mergers-Acquisitions
Corporate Strategy

BETH MORRIS
Senior Vice President
Corporate Secretary

STEPHEN BILLOTTE
Vice President
Product Development

GREGORIO CORTES
Vice President
Latin America Operations

CHUCK ECKENBERG
Vice President
Equal Access Program

DANIEL FELLOWS
Vice President
Payphones

CHARLES GILES
Vice President
Administration

DENNIS GUNDY
Vice President
Operations

RONALD McCLENAN
Vice President
Telco Relations

BRUCE NEWELL
Vice President
Marketing

GARY PEACOCK
Vice President
Specialized Services

FRED RACKERS
Vice President
Hotels/Hospitals

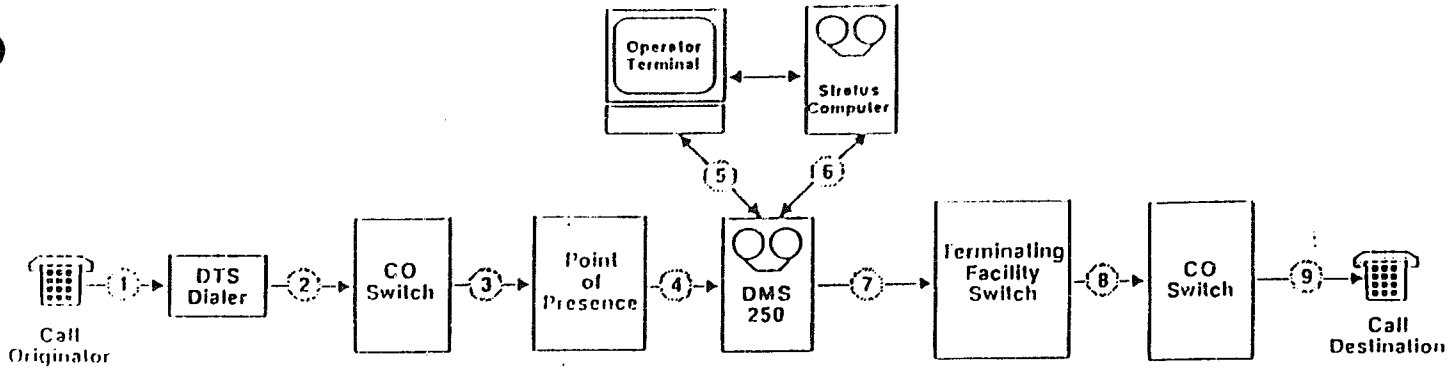
DANIEL SWANSON
Vice President
Development

JOHN TRIBOLET
Vice President
Information Services

EDDIE POPE
General Counsel

EXHIBIT "B"

Dialing Process



1. The caller takes the phone offhook and gets dial tone from the DTS dialer
2. The dialer dials the IIT access number
3. The local CO routes the call to IITs point of presence
4. The remote point of presence back hauls to IIT regional switch
5. Operator collects billing information from caller
6. The Stratus computer assists the operator in processing the call providing rating and information
7. IITs DMS 250 routes the call through the desired carrier
8. The carrier sends the call to the terminating CO
9. The CO routes the call to the Destination Phone

EXHIBIT "C"

ITI

INTERNATIONAL TELECHARGE INC

LONG DISTANCE

BILL TO ROOM:

DIAL 8 + 1 + AREA CODE + NUMBER

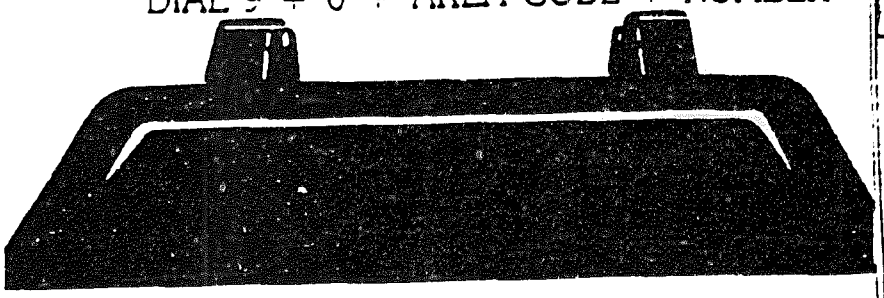
CREDIT CARD BILLING:

DIAL 9 + 0 + AREA CODE + NUMBER

(THE ITI OPERATOR WILL ASSIST YOU)

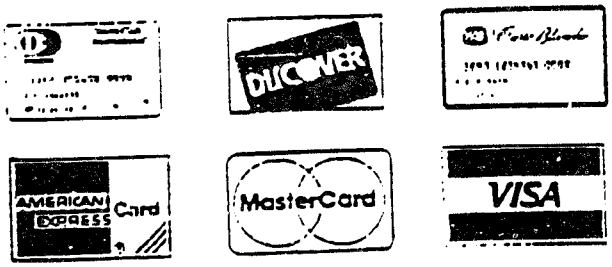
ALL OTHER LONG DISTANCE CALLS:

DIAL 9 + 0 + AREA CODE + NUMBER



LONG DISTANCE

BILL TO YOUR MAJOR CREDIT CARD:



OR BILL:
TO APPROVED TELCO CALLING CARD, THIRD PARTY,
OR CALL COLLECT

TO MAKE YOUR OPERATOR ASSISTED CALL DIAL:

8 + 0 + AREA CODE + NUMBER

INTERNATIONAL TELECHARGE, INC.

LONG DISTANCE INSTRUCTIONS

BILL TO ROOM:

DIAL 9 + 1 + AREA CODE + NUMBER

CREDIT CARD & ALL OTHER CALLS:

DIAL 8 + 0 + AREA CODE + NUMBER

• • • • • •

FOR YOUR ADDED CONVENIENCE

CALLS MAY ALSO BE CHARGED TO

International telecharge
"America's Alternative Operator Service"

EXHIBIT "D

5% DISCOUNT ON LONG DISTANCE CALLS TO ANYWHERE WITHIN THE STATE on all operator assisted (0+) calls billed to VISA, MasterCard, American Express, Discover, Diners Club, or Carte Blanche. All other long distance calls may be billed at higher rates.

Quality service by ITI.