DEPOSIT D089 - DATE FEB 17 1999

CARTER, LEDYARD & MILBURN
COUNSELLORS AT LAW
1350 I STREET, N. W.
SUITE 1010
WASHINGTON, D. C. 20005

(202) 898-1515
FAX: (202) 898-1521

2 WALL STREET
NEW YORK, N. Y. 10005
(212) 732-3200

114 WEST 47TH STREET
NEW YORK, N. Y. 10036
(212) 944-7711

February 16, 1999

BY FEDERAL EXPRESS

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd.
Gerald Gunter Building
Tallahassee, Florida 32399-0850

Re: CTC Communications Corp. -- Application for Authority to Provide Interexchange Services

Dear Sir or Madam:

Enclosed on behalf of CTC Communications Corp. ("CTC") are an original and six copies of an application for authority to provide interexchange telecommunications services within the State of Florida. We also have included a check for $250 to the Commission in payment of the filing fee. Finally, we have enclosed an extra copy of the application and would appreciate if you would date-stamp the copy and return it in the enclosed stamped, self-addressed envelope.

If you have any questions regarding CTC's application, please contact Tim Fitzgibbon or me at the above Washington, D.C. address or telephone number.

Sincerely,

Thomas Bardo

Thomas F. Bardo

TFB:tbm
Enclosures

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

Initials of person who forwarded check:
[illegible]

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February 16, 1999

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Division of Administration
2540 Shumard Oak Blvd.
Gerald Gunter Building
Tallahassee, Florida 32399-0850

990185-TI

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Sincerely,

Thomas Bardo

Thomas F. Bardo

TFB:tbm
Enclosures

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

Initials of person who forwarded check:

DOCUMENT NUMBER-DATE
02109 FEB 17 99
FPSC-RECORDS/REPORTING

CARTER, LEDYARD & MILBURN
COUNSELLORS AT LAW
1350 I STREET, N. W.
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FPSC-RECORDS/REPORTING

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1674

CARTER LEDYARD & MILBURN
1350 I STREET, N.W., SUITE 1010
WASHINGTON, DC 20005

February 11 1999

PAY TO THE ORDER OF Florida Public Service Commission $ 250.00

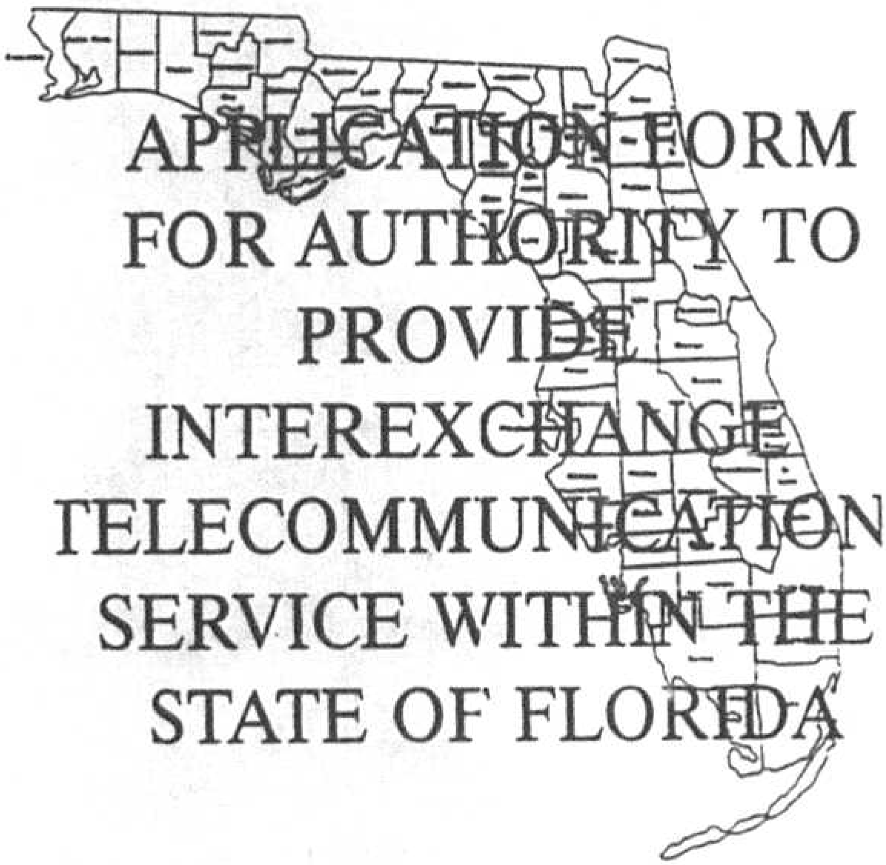
Two hundred fifty and no/100 DOLLARS

FIRST UNION
First Union National Bank of Washington, D.C.
Washington, D.C.

FOR Filing Fee

Timothy J Fitzgibbon

ORIGINAL



APPLICATION FORM FOR AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATION SERVICE WITHIN THE STATE OF FLORIDA

** FLORIDA PUBLIC SERVICE COMMISSION **

DIVISION OF COMMUNICATIONS
BUREAU OF SERVICE EVALUATION

APPLICATION FORM
for
AUTHORITY TO PROVIDE
INTEREXCHANGE TELECOMMUNICATIONS SERVICE
WITHIN THE STATE OF FLORIDA

Instructions

A. This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee (See Appendix A).

B. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.

C. Use a separate sheet for each answer which will not fit the allotted space.

D. If you have questions about completing the form, contact:

Florida Public Service Commission
Division of Communications
Bureau of Service Evaluation
2540 Shumard Oak Blvd., Gerald Gunter Building
Tallahassee, Florida 32399-0850
(850) 413-6600

E. Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of $250.00 to:

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd., Gerald Gunter Building
Tallahassee, Florida 32399-0850
(850) 413-6251

1. **Select what type of business your company will be conducting ☑ (check all that apply):**

( ) **Facilities based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

( ) **Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

(x) **Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.

(x) **Switchless Rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.

( ) **Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers. Then offers the resold service by enrolling unaffiliated customers.

( ) **Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

2. This is an application for ☑ (check one):

(x) **Original Authority** (New company).

( ) **Approval of Transfer** (To another certificated company).

( ) **Approval of Assignment of existing certificate** (To an uncertificated company).

( ) **Approval for transfer of control** (To another certificated company).

3. Name of corporation, partnership, cooperative, joint venture or sole proprietorship:

CTC Communications Corp. ("CTC")

4. Name under which the applicant will do business (fictitious name, etc.):

CTC Communications Corp.

5. National address (including street name & number, post office box, city, state and zip code).

360 Second Avenue
Waltham, Massachusetts 02451

6. Florida address (including street name & number, post office box, city, state and zip code):

CTC does not maintain an office in Florida.

7. Structure of organization; check which applies.

( ) Individual
(x) Foreign Corporation
( ) General Partnership
( ) Corporation
( ) Foreign Partnership
( ) Limited Partnership
( ) Other, ______________

8. If applicant is an individual or partnership, please give name, title and address of sole proprietor or partners.

CTC is a foreign corporation.

(a) Provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

(b) Indicate if the individual or any of the partners have previously been:

(1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings.

(2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

9. If incorporated, please give:

(a) Proof from the Florida Secretary of State that the applicant has authority to operate in Florida.

Corporate charter number: F98000003797
Correspondence from the Florida Secretary of State demonstrating that CTC is authorized to operate in Florida is attached as Exhibit 1.

(b) Name and address of the company's Florida registered agent.

CT Corporation System
1200 South Pine Island Road
Plantation, Florida 33324

(c) Provide proof of compliance with the fictitious name statute (Chapter 865.09 FS), if applicable. CTC does not utilize a fictitious name.

Fictitious name registration number: ______

(d) Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings.

No.

(2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

See Exhibit 2.

10. Who will serve as liaison with the Commission in regard to (please give name, title, address and telephone number):

(a) The application; Timothy J. Fitzgibbon, Esq.
Carter, Ledyard & Milburn
1350 I Street, N.W. Suite 1010
Washington, D.C. 20005
(202) 898-1515

(b) Official Point of Contact for the ongoing operations of the company; Ms. Pamela L. Hintz
Director of Regulatory and Tariff Compliance
360 Second Avenue
Waltham, Massachusetts 02451
(781) 466-1242

(c) Tariff; Ms. Pamela L. Hintz

(d) Complaints/Inquiries from customers;

Ms. Pamela L. Hintz

11. List the states in which the applicant: See Exhibit 3.

(a) Has operated as an interexchange carrier.

(b) Has applications pending to be certificated as an interexchange carrier.

(c) Is certificated to operate as an interexchange carrier.

(d) Has been denied authority to operate as an interexchange carrier and the circumstances involved.

See Exhibit 4.

(e) Has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

Not applicable.

(f) Has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

In 1997, CTC filed suit against Bell Atlantic alleging breach of contract and violations of antitrust laws and the Telecommunications Act. The company's most recent 10-K Report contains a discussion of the litigation.

12. What services will the applicant offer to other certificated telephone companies: Check which applies.

( ) Facilities.
( ) Billing and Collection.
( ) Maintenance.
( ) Other: ______________________
( ) Operators.
( ) Sales.

Not Applicable. CTC will not offer such services to other certified telephone companies.

13. Do you have a marketing program?

CTC uses internal sales and marketing personnel.

14. Will your marketing program:

(x) Pay commissions?
( ) Offer sales franchises?
( ) Offer multi-level sales incentives?
( ) Offer other sales incentives?

15. Explain any of the offers checked in question 14 (To whom, what amount, type of franchise, etc.).

Internal sales staff receive commissions on sales.

16. Who will receive the bills for your service? (Check all that apply)

(x) Residential customers.
(x) Business customers.
( ) PATS providers.
( ) PATS station end-users.
( ) Hotels & motels.
( ) Hotel & motel guests.
( ) Universities.
( ) Univ. dormitory residents.
( ) Other: (specify)________________.

17. Please provide the following (if applicable):

(a) Will the name of your company appear on the bill for your services, and if not who will the billed party contact to ask questions about the bill (provide name and phone number) and how is this information provided? CTC's name will appear on all bills for services.

(b) Name and address of the firm who will bill for your service.

CTC will bill for its services.

18. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide interexchange telecommunications service in Florida.

A. Financial capability.

A copy of CTC's most recent 10-K report containing financial data for the company is attached as Exhibit 5.

Regarding the showing of financial capability, the following applies: The application should contain the applicant's financial statements for the most recent 3 years, including:

1. the balance sheet
2. income statement
3. statement of retained earnings.

Further, a written explanation, which can include supporting documentation, regarding the following should be provided to show financial capability.

1. Please provide documentation that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

2. Please provide documentation that the applicant has sufficient financial capability to maintain the requested service.

3. Please provide documentation that the applicant has sufficient financial capability to meet its lease or ownership obligations.

NOTE: This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.

If available, the financial statements should be audited financial statements.

If the applicant does not have audited financial statements, it shall be so stated. The unaudited financial statements should then be signed by the applicant's chief executive officer and chief financial officer. The signatures should affirm that the financial statements are true and correct.

B. Managerial capability. See Exhibit 6

C. Technical capability. See Exhibit 7

19. Please submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed).

CTC's proposed tariff is attached as Exhibit 8

20. The applicant will provide the following interexchange carrier services ☑ (Check all that apply):

__ **MTS with distance sensitive per minute rates**
__ Method of access is FGA
__ Method of access is FGB
__ Method of access is FGD
__ Method of access is 800

__ **MTS with route specific rates per minute**
__ Method of access is FGA
__ Method of access is FGB
__ Method of access is FGD
__ Method of access is 800

__ **MTS with statewide flat rates per minute (i.e. not distance sensitive)**
__ Method of access is FGA
X Method of access is FGB
X Method of access is FGD
__ Method of access is 800

__ **MTS for pay telephone service providers**

__ **Block-of-time calling plan (Reach out Florida, Ring America, etc.).**

X **800 Service (Toll free)**

X **WATS type service (Bulk or volume discount)**
X Method of access is via dedicated facilities
X Method of access is via switched facilities

X **Private Line services (Channel Services)**
(For ex. 1.544 mbs., DS-3, etc.)

__ **Travel Service**
__ Method of access is 950
X_ Method of access is 800

__ **900 service**

__ **Operator Services**
__ Available to presubscribed customers
__ Available to non presubscribed customers (for example to patrons of hotels, students in universities, patients in hospitals.

__ Available to inmates

Services included are:

__ Station assistance
__ Person to Person assistance
__ Directory assistance
__ Operator verify and interrupt
__ Conference Calling

21. What does the end user dial for each of the interexchange carrier services that were checked in services included (above). 1+NPA-NXX

22. X_ **Other:** Calling card services

** APPLICANT ACKNOWLEDGEMENT STATEMENT **

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. **APPLICATION FEE:** A non-refundable application fee of $250.00 must be submitted with the application.

5. **RECEIPT AND UNDERSTANDING OF RULES:** I acknowledge receipt and understanding of the Florida Public Service Commission's Rules and Orders relating to my provision of interexchange telephone service in Florida. I also understand that it is my responsibility to comply with all current and future Commission requirements regarding interexchange service.

6. **ACCURACY OF APPLICATION:** By my signature below, I the undersigned owner or officer of the named utility in the application, attest to the accuracy of the information contained in this application and associated attachments. I have read the foregoing and declare that to the best of my knowledge and belief, the information is a true and correct statement. **Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083".**

UTILITY OFFICIAL:

Signature	2/4/99 Date
Vice President Title	(781) 466-8080 Telephone No.

** APPENDIX A **

Not Applicable

CERTIFICATE TRANSFER STATEMENT

I, (TYPE NAME) ______________________________,

(TITLE) ______________________________,

of (NAME OF COMPANY)________________________

________________, and current holder of certificate number ____________,

have reviewed this application and join in the petitioner's request for a transfer of the above-mention certificate.

UTILITY OFFICIAL:

______________________________ ______________________________

Signature Date

____

______________________________ ______________________________

Title Telephone No.

FORM PSC/CMU 31 (12/96).
Required by Commission Rule Nos. 25-24.471,
25-24.473, and 25-24.480(2).

**** APPENDIX B ****

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be responded to in one of the following ways (applicant please check one): ☑

(X) **The applicant will not collect deposits nor will it collect payments for service more than one month in advance.**

( ) **The applicant will file with the Commission and maintain a surety bond in an amount equal to the current balance of deposits and advance payments in excess of one month. (Bond must accompany application.)**

UTILITY OFFICIAL:

Thomas Fabbricatore	2/4/99
Signature	Date
Thomas Fabbricatore	
Vice President	(781) 466-8080
Title	Telephone No.

FORM PSC/CMU 31 (12/96).
Required by Commission Rule Nos. 25-24.471, 25-24.473, and 25-24.480(2).

**** APPENDIX C ****

INTRASTATE NETWORK

1. **POP:** Addresses where located, and indicate if owned or leased.
 CTC does not own or lease any POP's in Florida.

 1) 2)

 3) 4)

2. **SWITCHES:** Address where located, by type of switch, and indicate if owned or leased. CTC does not own or lease any switches in Florida.

 1) 2)

 3) 4)

3. **TRANSMISSION FACILITIES:** Pop-to-Pop facilities by type of facilities (microwave, fiber, copper, satellite, etc.) and indicate if owned or leased.

	POP-to-POP	TYPE	OWNERSHIP
1)	None in Florida.		
2)			

4. **ORIGINATING SERVICE:** Please provide the list of exchanges where you are proposing to provide originating service within thirty (30) days after the effective date of the certificate (Appendix D).

All exchanges

5. **TRAFFIC RESTRICTIONS:** Please explain how the applicant will comply with the EAEA requirements contained in Commission Rule 25-24.471 (4) (a) (copy enclosed).

See Exhibit 9

6. **CURRENT FLORIDA INTRASTATE SERVICES:** Applicant has xx , or has not ( ) previously provided intrastate telecommunications in Florida. If the answer is <u>has</u>, fully describe the following:

See Exhibit 10

a) What services have been provided and when did these services begin?

b) If the services are not currently offered, when were they discontinued?

UTILITY OFFICIAL:

Signature

2-4-99

Date

Thomas Fabbricatore

Vice President

Title

(781) 466-8080

Telephone No.

FORM PSC/CMU 31 (12/96).
Required by Commission Rule Nos. 25-24.471, 25-24.473, and 25-24.480(2).

** APPENDIX D **

FLORIDA TELEPHONE EXCHANGES

AND

EAS ROUTES

Describe the service area in which you hold yourself out to provide service by telephone company exchange. If all services listed in your tariff are not offered at all locations, so indicate.
CTC will offer all services throughout the State of Florida.

In an effort to assist you, attached is a list of major exchanges in Florida showing the small exchanges with which each has extended area service (EAS).

** FLORIDA EAS FOR MAJOR EXCHANGES **

Extended Service Area with	These Exchanges
PENSACOLA:	Cantonment, Gulf Breeze Pace, Milton Holley-Navarre.
PANAMA CITY:	Lynn Haven, Panama City Beach, Youngstown-Fountain and Tyndall AFB.
TALLAHASSEE:	Crawfordville Havana, Monticello, Panacea, Sopchoppy and St. Marks.
JACKSONVILLE:	Baldwin, Ft. George, Jacksonville Beach, Callahan, Maxville, Middleburg, Orange Park, Ponte Vedra and Julington.
GAINESVILLE:	Alachua, Archer, Brooker, Hawthorne, High Springs, Melrose Micanopy, Newberry and Waldo.

OCALA:	Belleview, Citra, Dunnellon, Forest Lady Lake (B21), McIntosh, Oklawaha, Orange Springs, Salt Springs and Silver Springs Shores.
DAYTONA BEACH:	New Smyrna Beach.
TAMPA:	Central None East Plant City North Zephyrhills South Palmetto West Clearwater
CLEARWATER:	St. Petersburg, Tampa-West and Tarpon Springs.
ST. PETERSBURG:	Clearwater.
LAKELAND:	Bartow, Mulberry, Plant City, Polk City and Winter Haven.
ORLANDO:	Apopka, East Orange, Lake Buena Vista, Oviedo, Windermere, Winter Garden, Winter Park, Montverde, Reedy Creek, and Oviedo-Winter Springs.
WINTER PARK:	Apopka, East Orange, Lake Buena Vista, Orlando, Oviedo, Sanford, Windermere, Winter Garden, Oviedo-Winter Springs Reedy Creek, Geneva and Montverde.
TITUSVILLE:	Cocoa and Cocoa Beach.
COCOA:	Cocoa Beach, Eau Gallie, Melbourne and Titusville.
MELBOURNE:	Cocoa, Cocoa Beach, Eau Gallie and Sebastian.
SARASOTA:	Bradenton, Myakka and Venice.

FT. MYERS:	Cape Coral, Ft. Myers Beach, North Cape Coral, North Ft. Myers, Pine Island, Lehigh Acres and Sanibel-Captiva Islands.
NAPLES:	Marco Island and North Naples.
WEST PALM BEACH:	Boynton Beach and Jupiter.
POMPANO BEACH:	Boca Raton, Coral Springs, Deerfield Beach and Ft. Lauderdale.
FT. LAUDERDALE:	Coral Springs, Deerfield Beach, Hollywood and Pompano Beach.
HOLLYWOOD:	Ft. Lauderdale and North Dade.
NORTH DADE:	Hollywood, Miami and Perrine.
MIAMI:	Homestead, North Dade and Perrine

EXHIBIT 1

FLORIDA DEPARTMENT OF STATE
Sandra B. Mortham
Secretary of State

July 2, 1998

CHRISTINE M. EASTWINE
CT CORPORATION SYSTEM
2 OLIVER ST.
BOSTON, MA 02109

Qualification documents for CTC COMMUNICATIONS CORP. were filed on July 2, 1998 and assigned document number F98000003797. Please refer to this number whenever corresponding with this office.

Your corporation is now qualified and authorized to transact business in Florida as of the file date.

A corporation annual report will be due this office between January 1 and May 1 of the year following the calendar year of the file date. A Federal Employer Identification (FEI) number will be required before this report can be filed. If you do not already have an FEI number, please apply NOW with the Internal Revenue by calling 1-800-829-3676 and requesting form SS-4.

Please be aware if the corporate address changes, it is the responsibility of the corporation to notify this office.

Should you have any questions regarding this matter, please telephone (850) 487-6091, the Foreign Qualification/Tax Lien Section.

Jennifer Sindt
Document Examiner
Division of Corporations

Letter Number: 698A00035960

APPLICATION BY FOREIGN CORPORATION FOR AUTHORIZATION TO TRANSACT BUSINESS IN FLORIDA

IN COMPLIANCE WITH SECTION 607.1503, FLORIDA STATUTES, THE FOLLOWING IS SUBMITTED TO REGISTER A FOREIGN CORPORATION TO TRANSACT BUSINESS IN THE STATE OF FLORIDA:

1. CTC Communications Corp.
(Name of corporation: must include the word "INCORPORATED", "COMPANY", "CORPORATION", or words or abbreviations of like import in language as will clearly indicate that it is a corporation instead of a natural person or partnership if not so contained in the name at present.)

2. Massachusetts
(State or country under the law of which it is incorporated)

3. 04-2731202
(FEI number, if applicable)

4. June 3, 1981
(Date of incorporation)

5. Perpetual
(Duration: Year corp. will cease to exist or "perpetual")

6. Upon Qualification
(Date first transacted business in Florida. (See sections 607.1501, 607.1502, and 817.155, F.S.))

FILED
SECRETARY OF STATE
DIVISION OF CORPORATIONS
98 JUL -2 PM 2:50

7. 360 Second Avenue, Waltham, Massachusetts 02154
(Current mailing address)

8. To engage in the sale, installation and service of telecommunications systems services.
(Purpose(s) of corporation authorized in home state or country to be carried out in the state of Florida)

9. Name and street address of Florida registered agent:

Name: C T Corporation System

Office Address: c/o C T Corporation System, 1200 South Pine Island Road

Plantation, Florida, 33324
(Zip Code)

10. Registered agent acceptance:
Having been named as registered agent and to accept service of process for the above stated corporation at the place designated in this application, I hereby accept the appointment as registered agent and agree to act in this capacity. I further agree to comply with the provisions of all statutes relative to the proper and complete performance of my duties, and I am familiar with and accept the obligation of my position as registered agent.

C T Corporation System

Salvina Amenta-Gray

(Registered agent's signature) (Officer)

Salvina Amenta-Gray, Special Asst. Secretary

(Type Name and Title of Officer)

(FL-2189 - 11/16/94)

11. Attached is a certificate of existence duly authenticated, not more than 90 days prior to delivery of this application to the Department of State, by the Secretary of State or other official having custody of corporate records in the jurisdiction under the law of which it is incorporated.

12. Names and addresses of officers and/or directors:

A. DIRECTORS

Chairman: See attached list of directors

Address: ______________________

____

Vice Chairman: See attached list of directors

Address: ______________________

____

Director: See attached list of directors

Address: ______________________

____

Director: ______________________

Address: ______________________

____

FILED
SECRETARY OF STATE
DIVISION OF CORPORATIONS
98 JUL -2 PM 2:50

B. OFFICERS

President: See attached list of officers

Address: ______________________

____

Vice President: ______________________

Address: ______________________

____

Secretary: ______________________

Address: ______________________

____

Treasurer: ______________________________

Address: ______________________________

____

NOTE: If necessary, you may attach an addendum to the application listing additional officers and/or directors.

13. ______________________________
(Signature of Chairman, Vice Chairman, or any officer listed in number 12 of the application)

14. John D. Pittenger, Vice President
(Typed or printed name and capacity of person signing application)

FILED
SECRETARY OF STATE
DIVISION OF CORPORATIONS
98 JUL -2 PM 2:50

BUSINESS ADDRESS:

CTC Communications Corp.
360 Second Avenue
Waltham, Massachusetts 02154

Officers

Robert J. Fabbricatore
Chairman of the Board and Chief Executive Officer
SS# 087-34-9672

Steve Milton
President and Chief Operating Officer
SS# 154-50-5755

John D. Pittenger
Executive Vice President, Finance and Administration, Treasurer
and Clerk Director of Investor Relations
SS# 034-40-1551

David E. Mahan
Vice President, Marketing and Strategic Planning
SS# 025-28-9857

Anthony Vermette
Vice President, Sales
SS# 007-68-4068

Michael Donnellen
Vice President, Operations
SS# 014-46-7061

Thomas Fabbricatore
Vice President, Electronic Media and Regulatory Matters
SS# 266-49-4032

BUSINESS ADDRESS:

Communications Corp.
360 Second Avenue
Waltham, Massachusetts 02154

Board of Directors

Robert J. Fabbricatore
Chairman of the Board and Chief Executive Officer
SS# 087-34-9672

Steven P. Milton
President and Chief Operating Officer
SS# 154-50-5755

John D.Pittenger
Executive Vice President, Finance and Administration, Treasurer and Clerk, Director of Investor Relations
SS# 034-40-1551

Ralph C. Sillari
Director
SS# 013-46-4428

Richard Santagati
Director
SS# 021-32-6326

J. Richard Murpy
Director
SS# 003-32-0983

Henry Hermann
Director
SS# 467-64-0205

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EXHIBIT 2

CTC Communications Corp. previously was known as Computer Telephone Corporation. A subsidiary of that company, Computer Telephone of Florida, Inc., previously held a certificate to provide service in Florida. That certificate was canceled in October 1997, apparently for failure to pay a regulatory fee assessment. See Docket No. 970978-TI, Order No. PSC-97-1119-FOF-TI.

EXHIBIT 3

CTC operates in the following states where it is authorized to provide interexchange services: Alabama, Arkansas, California, Colorado, Connecticut, Georgia, Idaho, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington and Wyoming.

CTC has applications for authorization to operate as an interexchange carrier pending in the following states: Arizona, Illinois, Kentucky, Louisiana, New Mexico, North Dakota, Oklahoma, South Dakota, West Virginia and Wisconsin. CTC will file applications in the remaining states, except for Alaska and Hawaii, in the near future.

EXHIBIT 4

On June 23, 1995, CTC (then known as Computer Telephone Corp.) filed an application for intrastate certification in Alabama. That application was dismissed by the Alabama Public Service Commission for lack of prosecution on October 11, 1996. In 1998, CTC reapplied to the Alabama Commission for certification. The Alabama Commission approved CTC's application for certification in November 1998.

On May 9, 1995, Computer Telephone Corp. filed an application for certification in Indiana. That application was dismissed by the Indiana Utility Regulatory Commission on September 12, 1996 after the Company neglected to respond to a Commission request for additional information. CTC applied to the Indiana Commission for a certificate of territorial authority which was issued on October 7, 1998.

On June 5, 1995, Computer Telephone Corp. filed an application for certification in Kansas. That application was dismissed without prejudice by the Kansas Corporation Commission on November 2, 1995, after the company failed to provide additional information and tariff revisions requested by the Commission. CTC filed an application for a certificate of convenience and authority to operate as an interexchange service provider on July 31, 1998. The Commission approved CTC's application on November 10, 1998.

Computer Telephone Corp. previously filed an application for certification in Arizona. The application was denied by the Arizona Corporation Commission on December 18, 1997 because the Company's authorization to conduct business in Arizona had been revoked. CTC has since obtained authority to conduct business in Arizona and reapplied for certification as a provider of interexchange services. CTC's application currently is pending with the Arizona Commission.

On June 13, 1997, the Arkansas Public Service Commission revoked the certification of Computer Telephone Corp., along with approximately 40 other companies, for failure to file annual reports and to respond to Commission inquiries. CTC filed an application for a certificate of public convenience and necessity with the Commission on September 17, 1998. The Commission approved CTC's application on December 9, 1998.

By Order dated November 7, 1996, the Illinois Commerce Commission revoked the certification held by Computer Telephone Corp. after the company's certificate of authority to do business lapsed. CTC filed an application for certification as an interexchange carrier with the Illinois Commission on February 11, 1999.

Since these orders were issued, CTC has hired full-time regulatory compliance personnel and retained outside counsel to ensure compliance with applicable filing requirements and other regulations.

EXHIBIT 5

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 1998.

Commission File Number 0-13627.

CTC COMMUNICATIONS CORP.

(Exact name of registrant as specified in its charter)

Massachusetts (State or other jurisdiction of incorporation or organization)	**04-2731202** (IRS Employer Identification No.)
360 Second Avenue, Waltham, Massachusetts (Address of principal executive offices)	**02154** (Zip Code)

(781) 466-8080
(Registrant's telephone number including area code)

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part IV of this Form 10-K or any amendment to this Form 10-K. ☒

The aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately $38,228,190, on July 10, 1998, based on the closing sale price of the registrant's Common Stock as reported on the Nasdaq National Market as of such date.

At July 10, 1998, 9,978,142 shares of the Registrant's Common Stock, $.01 par value, were outstanding.

PART I

Certain statements regarding the Company contained in this Annual Report on Form 10-K including, without limitation, certain statements under the headings "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" relating to the Company's business plan, future profitability, expansion, deployment of facilities, future operations and availability of capital and other future plans, events and performance and other statements located elsewhere herein, are forward-looking statements. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. No assurance can be given that the future results covered by the forward looking statements will be achieved. All forward-looking statements involve risks and uncertainties, and actual results could differ materially from those expressed or implied in the forward-looking statements for a variety of reasons. These reasons include, but are not limited to, factors outlined in Exhibit 99.1 filed with this Annual Report on Form 10-K. The Company does not undertake to update or revise its forward-looking statements publicly even if experience or future changes make it clear that any projected results expressed or implied therein will not be reclized.

Item 1. Business

Overview

CTC Communications Corp. ("CTC" or the "Company"), a Massachusetts corporation, is a rapidly growing integrated communications provider ("ICP") with 14 years of local telecommunications marketing, sales and service experience. The Company offers local, long distance, Internet access, Frame Relay and other data services on a single integrated bill. CTC currently serves small to medium-sized business customers in seven Northeastern states through its experienced 181-member direct sales force and 85 customer care representatives located in 16 branch offices throughout the region. As of March 31, 1998, after only three months as an ICP, the Company had sold 21,613 local access lines of which 17,637 lines had already been provisioned.

Prior to becoming an ICP in January 1998, the Company was the oldest and largest independent sales agent for Bell Atlantic Corp. ("Bell Atlantic"), selling local telecommunications services as an agent since 1984. The Company has also offered long distance and data services under its own brand name since 1994. As an agent, the Company managed relationships with approximately 7,000 customers who purchased in excess of $200 million of annual local telecommunications services for calendar year 1997, representing an estimated 280,000 local access lines at year end. In December 1997, the Company left the Bell Atlantic agency program to become an ICP using its well-developed franchise and infrastructure to capitalize on market opportunities created by deregulation. As an ICP, the Company is utilizing the same relationship-centered sales approach that it employed as an agent without the limitations on potential customers, services and pricing that were imposed upon it as an agent.

The Company plans to expand geographically and add facilities assuming the availability of financing. The Company intends to expand within its existing markets and into six additional states in the Boston-Washington, D.C. corridor, plans to open more than 20 new branch offices and hire more than 200 additional sales personnel. In addition, beginning in late 1998, the Company intends to deploy a state-of-the-art, data centric, packet-switched Integrated Communications Network ("ICN"), initially in the Company's existing markets and in new markets as customer demand and concentrations warrant.

Interim Credit Facility Commitment. The Company has obtained a commitment for an interim credit facility (the "Interim Facility") from the lender under the Company's existing credit facility (the "Credit Facility"). The Interim Facility, which would mature on June 30, 1999, would provide secured revolving loans of up to $20 million to refinance the Credit Facility, to fund capital expenditures and operating losses and for general corporate purposes. Borrowing for capital expenditures in excess of $1 million would be limited to the extent of collection of the Bell Atlantic agency commissions under dispute and by financial covenants. The commitment, which is subject to certain conditions, extends to September 30, 1998. The Company also agreed to reduce availability under the Credit Facility to $9 million, and the lender has extended its waiver of existing covenant defaults through September 30, 1998. The Company paid fees in connection with obtaining this commitment and waiver of $500,000 and an additional fee of $300,000 would be payable if the Company draws on the Interim Facility. If the Interim Facility is outstanding at various dates from October 31, 1998 through June 30, 1999, the Company has agreed to issue to the lender warrants to purchase in the aggregate up to 5% of the Company's outstanding Common Stock on a fully diluted basis at exercise prices equal to the market value on the respective dates of issuance.

Spectrum Commitment. To satisfy a condition of the Interim Facility, the Company has obtained a commitment from Spectrum Equity Investors II L.P. ("Spectrum") that at any time prior to June 30, 1999, Spectrum will upon the request of the Company, purchase an additional $5 million in Preferred Stock, which would have the same terms as the Series A Convertible Preferred Stock (the "Interim Spectrum Financing"). In consideration of this commitment, the Company has agreed to issue to Spectrum five-year warrants to purchase 55,555 shares of Common Stock, exercisable at $9 per share.

Services

The Company offers the following services:

Local Telephone Services. The Company's services include the connections between customers' telecommunications equipment and the local telephone network and/or multiple company locations. For customers with multiple locations served from the same central office, the Company offers a wide array of Centrex products and services. For large customers or customers with specific requirements, the Company integrates customer-owned Private Branch Exchange ("PBX") systems with analog or digital PBX trunks. In addition to providing standard dial tone services, the Company provides all associated call processing features as well dedicated private lines for both voice and data applications.

Long Distance Services. The Company offers a full range of domestic (interLATA and intraLATA) and international long distance services including "1+" outbound calling, inbound toll free service, standard and customized calling plans and related services such as calling cards, operator assistance, and conference calling.

High Speed Data Services. The Company offers a wide array of dedicated and switched high speed digital data services. Dedicated services include DDS, DS-1 (T-1), Fiber Distributed Data Interface ("FDDI") and DS-3. Switched or virtual digital services include Integrated Services Digital Network ("ISDN"), Frame Relay and ATM.

Internet Services. The Company offers dedicated high speed Internet access and services via DDS, Frame Relay, T-1 and T-3 connections. In addition, the Company offers switched digital access to the Internet via ISDN. In support of these connections, the Company provides the necessary communications hardware, configuration support, domain registration as well as other support services on a 24-hour, 7-day a week basis.

Wholesale Services to ISPS. The Company supplements its core end user product offerings by providing a full array of local services to Internet Service Providers ("ISPs"), including telephone numbers and switched and dedicated access to the Internet.

Possible Future Services. Once its ICN is deployed, the Company plans to offer systems integration, consulting and network monitoring services, customized Virtual Private Networks ("VPNs") utilizing IP, data network product packages and voice over IP services.

Sales and Customer Care

Sales and Service Infrastructure. The Company markets telecommunications services by seeking to develop long-term business relationships with its customers and offering them comprehensive management of their telecommunications requirements. Each customer of the Company is assigned a local dedicated Company team consisting of a sales executive and a customer care coordinator. This team provides a single point of contact for the customer's needs, working together to design, implement and maintain an integrated telecommunications solution. The team also reviews and updates the customer's services on a regular basis.

The Company's services are currently provided through 181 sales executives and 85 customer care coordinators located in 16 branch sales offices servicing markets throughout Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island and Vermont. In addition, the Company maintains an agency office in California with an additional five sales and service personnel.

Customer Sales and Service Model. Sales executives meet with prospective customers to understand their business and telecommunications requirements and analyze their current usage and costs. Sales executives outline the range of services and potential savings offered by the Company, discuss the benefits of the Company's comprehensive customer care program and develop Account Telemanagement Plans for potential customers designed to balance network expense and utility. Sales executives work with their existing customers through regular telephone calls and meetings to review the customers' telecommunications usage and requirements and to update their suite of services and network design. This relationship-centered sales approach assists sales executives in monitoring customers' demands and selling additional services into customers' consumption patterns.

Sales executives regularly participate in training programs on subjects such as solution-oriented sales, comprehensive customer care, network design and other technical features of the Company's services. The Company seeks to motivate and retain its sales executives through extensive training as well as a commission structure which currently bases approximately 45% of a sales executive's compensation on annualized billing revenues and 25% on customer satisfaction.

Customer Care. Customer care coordinators trained in the Company's service offerings work in direct support of sales executives in each branch location. The Company's reiterative, multi-step customer care process provides an ongoing and comprehensive service program ranging from long-term consultative planning to day-to-day handling of service issues.

CTC's customer care program is designed to provide prompt action in response to customer inquiries and complaints and a dedicated team approach to sales and service. The local branch offices are staffed 12 hours a day, 5 days a week. At other times, incoming calls automatically roll over to a central customer care center which is staffed 24 hours a day, 7 days a week. If the customer care coordinator assigned to a particular account is not available, the customer's request is accommodated by another customer service representative. The Company believes that its customer care coordinators are motivated to provide the highest level of customer care as a significant portion of their compensation is based on customer satisfaction.

The CTC Information System

The CTC Information System is comprised of five central applications which fully integrate the Company's sales and account management, customer care, provisioning, billing and financial processes. Automation of each of these processes is designed to provide for high volume and accurate throughput, timely installation, accurate billing feeds and quality customer service. Data entered in one application is simultaneously exported into all other applications. Each branch office is served by a LAN connected via Frame Relay to the central processor. From their branch desktops or docking stations, the Company's employees have online access to all of the Company's operational systems and applications. The system also interfaces with the Company's network suppliers for ordering, repair, status reporting and billing feeds.

When an order is placed by a sales executive, the CTC Information System electronically directs it to the appropriate supplier(s) and monitors and reports any delays in the provisioning. Once the order is completed, the CTC Information System automatically removes it from the in-process order file, updates the customer's service inventory and network configuration, initiates billing, posts the sales executive's commission and updates the branch office, area and Company financial reports.

Sales and Account Management. The CTC Account Management System, the hub of the CTC Information System, stores all customer-related information, such as location detail, contact information, transaction history and account profile. The CTC Account Management System also feeds CTC's Customized Sales System, a fully-integrated database which provides sales personnel with access to information for pricing services, generating customized proposals and customer correspondence, tracking sales performance, referencing methods and procedures, service descriptions, competitive information and historical profiles, which include details of installed services, recent transactions and billing history, for current and prospective customers. The CTC Customized Sales System can be used both on- and off-line, and all entries made while off-line are automatically updated to the central processor and all relevant data is simultaneously exported to the other central applications each time a laptop is reconnected to the network.

Customer Care. Through the CTC Account Care System, customer care coordinators can review installed services, make additions, changes and deletions to accounts, initiate and track repair and service work and review past billing for any customer. This closed loop application provides automatic follow up and records all transactions in the customer history file. The orders and repair requests input through the CTC Account Care System are automatically fed into the CTC Provisioning System.

Provisioning. Through the CTC Provisioning System, customer orders are directed electronically to the Company's suppliers via file transfer or electronic data interchange. All orders are tracked through the CTC Account Care System from initiation through completion, and an exception is noted when an order or process has not been fulfilled in the estimated time frame. The proactive nature of the system affords the sales executive or customer care coordinator the opportunity to get the installation process back on track, or at least notify the customer of the delay. Once the order has been fulfilled, the information is automatically fed to the CTC Billing System to initiate billing for the newly provisioned services.

Billing and Customer Interface. The CTC Billing System is a fully-convergent system, billing all of the services the Company provides to its customers on a single bill. The CTC Billing System, available to customers on both diskette and CD-Rom with accompanying software, allows the customer to review historic bill detail, perform customized usage analyses and download information directly to their own accounting applications. Through the IntelliVIEW application, a secure Web-based application, customers have near real-time online access to the CTC Billing System via the Internet and are able to review and analyze their bills online. Paper statements generated by the CTC Billing System offer the Company's customers different telemanagement formats. The CTC Billing System was launched in October 1997, billing long distance services and subsequently Internet access, private data services and Frame Relay services and began billing local services in January 1998 when the Company began operations as an ICP.

Financial. Data from the CTC Billing System is automatically exported to the CTC Financial System. Through its integration with the other applications, the CTC Financial System tracks and prepares reports on sales activity, commissions, branch operations, branch profitability, cash flows and compiles all of this data in preparing the Company's periodic financial reports. The system also provides for internal controls for revenue tracking and costing. The integrated nature of the CTC Information System allows the Company to operate each branch as a separate profit and loss center.

The CTC Integrated Communications Network

The Company's ICN is being designed as a state-of-the-art digital network with data and long distance services The ICN is expected to be comprised of data and long distance switches capable of handling Asynchronous Transfer Mode ("ATM"), Internet Protocols ("IP"), and Ethernet and Frame Relay protocols interconnected by leased transmission facilities. The ICN is being designed to provide customers with dedicated DS-1 or other broadband access and to bundle a variety of voice and data services on one digital platform. The data services planned for the ICN include point-to-point private line, Frame Relay, Internet access and virtual private network services for on-net data traffic as well as network-to-network interface points to other data carrier networks and Internet service providers for traffic which must travel off-net. The Company plans to lease local dialtone services until these services can be fully integrated into a packet-switched network architecture.

During the initial phase of network deployment, CTC intends to deploy a network operations center and data and long distance toll switching equipment in hub and node locations in the New England and New York region where the Company has an established customer base. As the Company expands into new markets, it plans to deploy its network as customer demand and concentrations warrant.

In May 1998, the Company signed agreements with a network services integrator to design, engineer and manage the buildout of the ICN in the Company's existing markets. Under the terms of the agreements, the network integrator will (i) provide an initial evaluation of the Company's proposed network, (ii) create a detailed network design, (iii) assist the Company in acquiring network components and network operations center system components, (iv) develop the appropriate software interfaces to the Company's Operational Support System, and (v) supervise construction, testing and validation of the ICN in the Company's existing markets, primarily on a fixed fee basis.

Competition

The Company operates in a highly competitive environment and has no significant market share in any market in which it operates. The Company expects that it will face substantial and growing competition from a variety of data transport, data networking and telephony service providers due to regulatory changes, including the continued implementation of the Telecommunications Act of 1996 (the "Telecommunications Act"), and the increase in the size, resources and number of such participants as well as a continuing trend toward business combinations and alliances in the industry. The Company faces competition for the provision of integrated telecommunications services as well as competition in each of the individual market segments that comprise the Company's integrated approach. In each of these market segments, the Company faces competition from larger, better capitalized incumbent providers, which have long standing relationships with their customers and greater name recognition than the Company.

Competition for Provision of Integrated Telecommunications Services. The current regulatory trend toward fostering competition and opening markets, as well as the continued consolidation of telecommunication service providers, has increased the number of competitors able to provide integrated telecommunications services similar to those provided by the Company. Many facilities-based ICPs and long distance carriers have committed substantial resources to building their networks or to purchasing ICPs or Interexchange Carriers ("IXCs") with complementary facilities. By building or purchasing a network or entering into interconnection agreements or resale agreements with Incumbent Local Exchange Carriers ("ILECs"), including Regional Bell Operating Companies ("RBOCs"), a facilities-based provider can offer single source local and long distance services similar to those offered or to be offered by the Company. Such additional alternatives may provide such competitors with greater flexibility and a lower cost structure than the Company. In addition, some of these ICPs and other facilities-based providers of local exchange service are acquiring or being acquired by IXCs that are not subject to joint marketing restrictions.

Once the RBOCs are allowed to offer widespread in-region long distance services under the terms of Section 271 of the Telecommunications Act, both they and the largest IXCs will be in a position to offer single-source local and long distance services similar to those offered by the Company. Currently, no RBOC is permitted to provide in-region long distance services, although there is no assurance that this will continue to be the case. The availability of broad-based local resale and introduction of facilities-based local competition are required before the RBOCs may provide in-region interLATA long distance services. In 1997, the FCC denied the applications of several RBOCs for in-region interLATA long distance authority. Further FCC rulings may be complicated by a Texas Federal District Court ruling on December 31, 1997 (the "Wichita Falls Decision") that Section 271 of the Telecommunications Act is unconstitutional. On February 11, 1998, this court granted a request by the FCC and a number of long distances carriers to stay the decision pending an appeal to the United States Court of Appeals for the Fifth Circuit. If this decision is upheld and/or repeated in other jurisdictions, RBOC entry into the in-region interLATA long distance markets may occur much more rapidly than envisioned under the Telecommunications Act. Although the outcomes of court actions cannot be predicted, decisions permitting early entry of the RBOCs into in-region, interLATA long distance could have a material adverse effect on the Company's business.

Although the Telecommunications Act and other federal and state regulatory initiatives will afford the Company new business opportunities, regulators are likely to provide the ILECs with an increased degree of flexibility with regard to pricing of their services as competition increases. If the ILECs elect to lower their rates and sustain lower rates over time, this may adversely affect the revenues of the Company and place downward pressure on the rates the Company can charge. The Company believes the effect of lower rates may be offset by the increased revenues available by offering new services to its target customers, but there can be no assurance that this will occur. In addition, if future regulatory decisions afford the Local Exchange Carriers ("LECs") excessive pricing flexibility or other regulatory relief, such decisions could have a material adverse effect on the Company.

Competition for Provision of Local Exchange Services. In the local exchange market, ILECs, including RBOCs, continue to hold near-monopoly positions. The Company also faces competition or prospective competition from one or more ICPs, many of which have significantly greater financial resources than the Company, and from other competitive providers, including non-facilities-based providers. Various carriers have entered into interconnection agreements with ILECs and either have begun or in the near future likely will begin offering local exchange service in each of the Company's markets, subject to joint marketing restrictions. The largest long distance carriers (AT&T, MCI, Sprint and any other carrier with 5% or more of the pre-subscribed access lines), however, are prevented under the Telecommunications Act from bundling local services resold from an RBOC in a particular state with their long distance services until the earlier of (i) February 8, 1999 or (ii) the date on which the RBOC whose services are being resold obtains in-region long distance authority in that state. In the event the RBOCs soon begin offering in-region long distance service, the largest long distance carriers will be permitted to bundle local and long distance services that much earlier, removing one of the competitive advantages currently enjoyed by the Company. In addition to these long distance service providers, entities that currently offer or are potentially capable of offering switched services include ICPs, cable television companies, electric utilities, other long distance carriers, microwave carriers, wireless telephone system operators and large customers who build private networks.

Wireless telephone system operators have become competitors in the provision of local services because the FCC has authorized cellular, personal communications service, and other Commercial Mobile Radio Services ("CMRS") providers to offer wireless services to fixed locations, rather than just to mobile customers. This authority to provide fixed as well as mobile services will enable CMRS providers to offer wireless local loop service and other services to fixed locations (e.g., office and apartment buildings) in direct competition with the Company and other providers of traditional fixed telephone service. In addition, the FCC recently auctioned substantial blocks of spectrum for fixed use including, among other things, local exchange service. Exploitation of this spectrum is expected to increase competition in the local market.

The World Trade Organization ("WTO") recently concluded an agreement (the "WTO Agreement") that could result in additional competitors entering the U.S. local and long-distance markets. Under the WTO Agreement, the United States committed to open telecommunications markets to foreign-owned carriers. The FCC has adopted streamlined procedures for processing market entry applications from foreign carriers, making it easier for such carriers to compete in the U.S. There can be no assurance that the WTO Agreement will not have a material impact on the Company's business.

Competition for Provision of Long Distance Services. The long distance market is significantly more competitive than the local exchange market with numerous entities competing for the same customers. In addition, customers frequently change long distance providers in response to the offering of lower rates or promotional incentives by competitors, resulting in a high average churn rate. Prices in the long distance market have declined significantly in recent years and are expected to continue to decline. Competition in this market will further increase once RBOCs are permitted to offer interLATA long distance services.

Data and Internet Services. The market for high speed data services and access to the Internet is highly competitive, and the Company expects that competition will continue to intensify. The Company's competitors in this market will include ISPs, other telecommunications companies. Many of these competitors have greater financial, technological and marketing resources than those available to the Company. In addition, various RBOCs have filed petitions to the FCC requesting regulatory relief in connection with the provision of their own data services.

Government Regulation

The Company's local and long distance telephony service, and to a lesser extent its data services, are subject to federal, state, and, to some extent, local regulation.

The FCC exercises jurisdiction over all telecommunications common carriers, including the Company, to the extent that they provide interstate or international communications. Each state regulatory commission retains jurisdiction over the same carriers with respect to the provision of intrastate communications. Local governments sometimes impose franchise or licensing requirements on telecommunications carriers and regulate construction activities involving public right-of-way. Changes to the regulations imposed by any of these regulators could affect the Company.

While the Company believes that the current trend toward relaxed regulatory oversight and competition will benefit the Company, the Company cannot predict the manner in which all aspects of the Telecommunications Act will be implemented by the FCC and by state regulators or the impact that such regulation will have on its business.

The Company is subject to FCC and state proceedings, rulemakings, and regulations, and judicial appeal of such proceedings, rulemakings and regulations, which address, among other things, access charges, fees for universal service contributions, ILEC resale obligations, wholesale rates, and prices and terms of interconnection and unbundling. The outcome of these proceedings, rulemakings, judicial appeals, and subsequent FCC or state actions may make it more difficult or expensive for the Company or its competitors to do business. Such developments could have a material effect on the Company. The Company also cannot predict whether other regulatory decisions and changes will enhance or lessen the competitiveness of the Company relative to other providers of the products and services offered by the Company. In addition, the Company cannot predict what other costs or requirements might be imposed on the Company by state or local governmental authorities and whether or not any additional costs or requirements will have a material adverse effect on the Company.

Federal Legislation

The Telecommunications Act requires that local and state barriers to entry into the local exchange market be removed and has established broad uniform standards under which the FCC and the state commissions are to implement local competition and co-carrier arrangements in the local exchange market. Under certain conditions and subject to certain exceptions, major ILECs are now required to make available at a discount for resale by new entrants all services offered by the LEC on a retail basis. The Telecommunications Act also imposes significant obligations on the RBOCs and other ILECs, including the obligation to interconnect their networks with the networks of competitors. Each ILEC is required not only to open its network but also to "unbundle" various elements of the network, such as the local loop and switching or transport functions. States have begun, and in a number of cases completed, regulatory proceedings to determine the pricing of these unbundled network elements and services, and the results of these proceedings will determine whether it is economically attractive to use these elements.

All LECs, including Competitive Local Exchange Carriers ("CLECs"), must fulfill various obligations so as not to impede the ability of other carriers to provide services. These include the duty to permit resale of their services, the duty to provide number portability and dialing parity, the duty to provide access for competitors to poles, ducts, conduits and rights-of-way, and the duty to provide reciprocal compensation for the transport and termination of telecommunication traffic to and from other LEC's networks.

Section 271 of the Telecommunications Act provides that the RBOCs must fulfill additional conditions before they will be permitted to offer in-region interLATA toll services: (1) the RBOC must have met the requirements of the Telecommunications Act's 14-point competitive checklist and (2) the RBOC must have entered into an approved interconnection agreement with one or more unaffiliated, facilities-based competitors in some portion of the state pursuant to which such competitors provide both business and residential service (or that by a date certain no such competitors have "requested" interconnection as defined in the Telecommunications Act). If the FCC determines, after consultation with the Department of Justice and the relevant state commissions, that these requirements have been met and that the RBOC's provision of in-region long distance services in a state is in the public interest, the FCC must authorize the RBOC to provide such services. In 1997, the FCC denied the application of several RBOCs for in-region long distance authority. Unless rendered moot as a result of the Wichita Falls Decision, the Company anticipates that a number of RBOCs will file additional applications in 1998. As noted above, however, the Wichita Falls Decision found Section 271 of the Act, among others, to be unconstitutional. Accordingly, the Wichita Falls Decision, to the extent that it is upheld, may reduce the incentive that RBOCs have to open their networks to competition.

The Telecommunications Act is meant to eliminate state and local statutory and regulatory barriers to entry, thus accelerating the process of creating a competitive environment in all markets. This preemption of state laws barring local competition and the relaxation of regulatory restraints should enhance the Company's ability to expand its service offerings nationwide. At the same time, the Telecommunications Act will also substantially increase the competition the Company will face in its various markets.

Federal Regulation

The FCC has issued a variety of regulations pursuant to the Telecommunications Act and may issue numerous additional such regulations. The outcome of these various ongoing FCC rulemaking proceedings or judicial appeals of such proceedings could materially affect the Company's operations.

In May 1997, the FCC issued new regulations regarding the implementation of the universal service program and the assessment of access charges on carriers obtaining access to local exchange networks. All telecommunications carriers, including the Company, that provide interstate services are required to contribute, on a equitable and nondiscriminatory basis, to the preservation and advancement of universal service pursuant to a universal funding service mechanism established by the FCC. Mandatory contribution amounts are revised regularly and in May 1997 both the access charge and universal service regimes were substantially revised. As a result of these changes, the costs of business and multiple residential telephone lines are expected to increase. In addition, the new regulations require a reseller, such as the Company, to begin contributing to the universal service programs for low-income consumers and high-cost, rural and insular areas on the basis of the reseller's interstate and international revenues.

The Telecommunications Act provides that individual state utility commissions can, consistent with FCC regulations, prohibit resellers from reselling a particular service to specific categories of customers to whom the ILEC does not offer that service at retail. In August 1996, the FCC issued detailed regulations providing that many such limitations are presumptively unreasonable and that states may enact such prohibitions on resale only in certa in limited circumstances.

The Telecommunications Act also provides that state commissions shall determine the wholesale rates for local telecommunications services (i.e., the rates charged by ILECs to ICPs such as the Company) on the basis of retail rates less "avoided costs," i.e., marketing, billing, collection and other administrative costs avoided by the ILEC when it sells at wholesale. In August 1996, the FCC issued detailed regulations establishing an interim default discount of between 17% to 25%. Although this portion of the FCC's rules has been overturned on appeal (see below), in practice state commissions have generally adopted discount percentages that fall within the 17-25% default range.

In August 1996, the FCC issued regulations that, among other things, set minimum standards governing the terms and prices of interconnection and access to unbundled ILEC network elements and mandating that ILECs negotiate interconnection or resale arrangements in good faith. These regulations indirectly affect the price at which the Company's new facilities-based competitors may ultimately provide service. The Telecommunications Act provides that state commissions shall determine the rates charged for such unbundled elements on the basis of cost plus a reasonable profit. The Company is unable to predict the final form of such state regulation, or its potential impact on the Company or the local exchange market in general.

In 1997, the U.S. Court of Appeals for the Eighth Circuit vacated certain portions of FCC regulations, including, among other things, provisions addressing the availability of certain services for resale, establishing a methodology for pricing interconnection and unbundled network elements, a rule permitting new entrants to "pick and choose" among various provisions of existing interconnection agreements, and the obligation of incumbent LECs to combine network elements. The U.S. Supreme Court has agreed to review the Eighth Circuit's decision. If upheld, the rulings could make it more difficult for the Company to take advantage of ILEC services.

The FCC recently issued regulations to eliminate the ability of nondominant carriers such as the Company to file interstate long-distance tariffs of rates and operating procedures and permitting (but not requiring) non-dominant local carriers such as the Company to withdraw their tariffs for interstate services. Various carriers have filed suit to overturn the FCC regulations, and the U.S. Court of Appeals for the D.C. Circuit has stayed the regulations pending its decision in that appeal, which is not expected until sometime later this year. In the meantime, however, the FCC issued a Reconsideration Order (on August 20, 1997), which reverses certain aspects of the FCC's previous regulations. The Reconsideration Order would still significantly limit the ability of carriers to tariff long distance services. When not allowed to tariff the long distance services it may seek to provide, the Company would be required to provide service through a contract and forego legal rights pertaining to reliance on a "filed rate."

In August 1997, the FCC issued rules transferring responsibility for administering and assigning local telephone numbers from the RBOCs and a few other LECs to a neutral entity in each geographic region in the United States. In August 1996, the FCC issued new numbering regulations that (a) prohibit states from creating new area codes that could unfairly hinder LEC competitors (including the Company) by requiring their customers to use 10 digit dialing while existing ILEC customers use 7 digit dialing, and (b) prohibit ILECs (which are still administering central office numbers pending selection of the neutral administrator) from charging "code opening" fees to competitors (such as the Company) unless they charge the same fee to all carriers including themselves. In addition, each carrier is required to contribute to the cost of numbering administration through a formula based on net telecommunications revenues. In July 1996, the FCC released rules requiring all LECs, including CLECs, to have the capability to permit both residential and business consumers to retain their telephone numbers when switching from one local service provider to another (known as "number portability").

In August 1996 the FCC promulgated regulations that classify CMRS providers as telecommunications carriers, thus giving them the same rights to interconnection and reciprocal compensation under the Telecommunications Act as other non-LEC telecommunications carriers, including the Company.

State Regulation

Certain local and long distance services have historically been classified as intrastate and therefore subject to state regulation. As its local service business and product lines expand, the Company will offer more intrastate service and become increasingly subject to state regulation. The Telecommunications Act maintains the authority of individual state utility commissions to preside over rate and other proceedings, as discussed above, and impose their own regulation of local exchange and interexchange services so long as such regulation is not inconsistent with the requirements of the Telecommunications Act. For instance, states impose tariff and filing requirements, consumer protection measures and obligations to contribute to universal and other funds.

The Company has state regulatory authority to provide competitive local exchange services and interexchange services in the seven states in its current market. The Company also has state regulatory authority to provide interexchange services in approximately 16 additional states. In certain states, in which the Company has or has had de minimis intrastate interexchange revenues, the Company has not obtained authorization to provide such interexchange services or has allowed such authorization to lapse. The Company has either subsequently obtained, or is in the process of applying to obtain, the appropriate authorization in these states.

Local Government Regulation

Should the Company decide to operate its own transport or other facilities over public rights-of-way, it may be required to obtain various permits and authorizations from municipalities in which it operates such facilities and grant rights of way to other carriers. Some municipalities may impose such restrictions regardless of whether an entity operates such facilities. The actions of municipal governments in imposing conditions on the grant of permits or other authorizations, or their failure to act in granting such permits or authorizations, except as preempted by the FCC, could have a material adverse effect on the Company's business.

Employees

As of June 30, 1998, the Company employed 341 persons. None of the employees is represented by a collective bargaining agreement.

Item 2. Properties

The Company is headquartered in leased space in Waltham, Massachusetts. The Company also leases one office in California, two in Connecticut, five in Massachusetts, two in Maine, one in New Hampshire, four in New York and one in Vermont. Although the Company believes that its leased facilities are adequate at this time, the Company expects to lease a significant number of additional sales facilities in connection with its planned expansion in existing markets and into new markets.

Item 3. Legal Proceedings

(a) Pending Legal Proceedings.

In December 1997, the Company terminated its agency contract and filed suit (the "Bell Atlantic Litigation") against Bell Atlantic in federal court in the Southern District of Maine for breaches of the contract, including the failure of Bell Atlantic's retail division to pay $14 million in agency commissions (approximately $11.3 million as of July 10, 1998) owed to the Company. The Company also asserted violations by Bell Atlantic of antitrust laws and the Telecommunications Act. Bell Atlantic filed counterclaims in federal court in the Southern District of New York asserting that the Company breached a provision of the agency contract prohibiting the Company from selling non-Bell Atlantic local services to certain agency customers for a one-year period following termination of the contract. Based on that provision, Bell Atlantic obtained a temporary restraining order (the "TRO") that prohibits the Company from marketing certain local telecommunications services to any Bell Atlantic customer for whom the Company was responsible for account management, or to whom the Company sold Bell Atlantic services, during 1997. This prohibition will terminate in December 1998, or upon the earlier dissolution of the TRO. The Company has made a motion to dissolve the TRO and the federal court in Maine has held a hearing to consider the Company's motion. Bell Atlantic's counterclaims have been consolidated with the Company's suit in the federal court in the Southern District of Maine. The Company estimates that the TRO applies to less than 5% of the Company's target customers in its current markets. The Company continues to provide many of these customers with other services such as long distance and Internet access that are not covered by the terms of the TRO.

The Company is otherwise party to suits arising in the normal course of business which management believes are not material individually or in the aggregate.

(b) Legal Proceedings Terminated in the Fourth Quarter.

None.

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

None.

PART II

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

The Company's Common Stock trades on the Nasdaq National Market under the symbol "CPTL." The following tables set forth the ranges of the high and low sale prices for the Company's outstanding Common Stock for the periods indicated.

Three Months Ended	High Sale	Low Sale
June 30, 1996	$18.00	$9.75
September 30, 1996	$13.75	$8.00
December 31, 1996	$11.75	$6.38
March 31, 1997	$ 9.13	$6.38
June 30, 1997	$10.00	$6.88
September 30, 1997	$ 9.75	$7.06
December 31, 1997	$15.94	$8.00
March 31, 1998	$14.94	$5.13

As of July 10, 1998, there were 357 holders of record of the Company's Common Stock. The Company believes there were in excess of 1,500 beneficial holders of the Common Stock as of such date.

The Company has never paid a cash dividend on its Common Stock and has no present intention of paying dividends in the foreseeable future. The Company intends to retain earnings, if any, to develop and expand its business. In addition, the terms of the Series A Convertible Preferred Stock restrict, and the terms of future debt financings are expected to restrict, the ability of the Company to pay dividends on Common Stock.

Item 6. Selected Historical Financial Data of the Company

The following selected financial data have been derived from the Company's financial statements. The following data should be read in conjunction with the Company's financial statements and related notes appearing elsewhere in this Report on Form 10-K. All earnings per share and weighted average share information included in the accompanying financial statements have been restated to reflect the 25% stock split effected in Fiscal 1995, and the three-for-two stock split and the two-for-one stock split effected in Fiscal 1996.

	Fiscal Year Ended March 31,				
	1994	1995	1996	1997	1998
	(dollars in thousands, except per share information)				
Statement of Operations Data					
Agency revenues	$14,483	$18,898	$25,492	$29,195	$24,775
Telecommunications revenues	462	3,038	5,383	11,095	16,172
Total revenues	14,945	21,936	30,875	40,290	40,947
Cost of telecommunications revenue	369	2,451	4,242	8,709	14,038
Selling, general and administrative	14,484	17,319	20,009	23,820	31,492
Income (loss) from operations	92	2,166	6,624	7,761	(4,583)
Income (loss) before income taxes	141	2,322	6,830	7,960	(4,370)
Net income (loss)	75	1,472	4,094	4,683	(2,884)
Earnings (loss) per share					
Basic	0.01	0.18	0.43	0.49	(0.29)
Diluted	0.01	0.17	0.38	0.43	(0.29)

	As of March 31,				
	1994	1995	1996	1997	1998
	(dollars in thousands)				
Balance Sheet Data					
Cash and cash equivalents	$ 1,239	$ 2,391	$ 3,942	$ 6,406	$ 2,168
Total assets	5,399	7,726	12,509	20,186	30,967
Total long-term debt	—	—	—	—	—
Stockholders' equity	3,871	5,526	9,495	14,292	11,580

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Financial Statements and Notes set forth elsewhere in this Report.

Overview

CTC is a rapidly growing ICP with a 14-year track record of telecommunications marketing, sales and service experience. Building upon its substantial experience in providing sophisticated telecommunications solutions, the Company designs, sells and implements fully-integrated voice and data solutions tailored to meet its customers needs. The Company offers local, long distance, Internet access, Frame Relay and other data services on a single integrated bill. The Company currently serves small to medium-sized business customers primarily in seven Northeastern states through its 181-member direct sales force and 85 customer care representatives located in 16 branch offices throughout the region.

Since 1984, the Company has on several occasions successfully realigned its strategy to capitalize on market opportunities and respond to change. CTC originally sold key systems and PBX telephone systems. In 1984, after the divestiture of AT&T, the Company became the first agent for any RBOC in the United States. As an agent, CTC focused on selling point-to-point data services, Centrex and NYNEX Corporation network-based local telecommunications services primarily to medium size business customers. In 1994, the Company added the sale of long distance services and subsequently, Frame Relay, Internet access and other data services under its own brand name. In December 1997, the Company left the Bell Atlantic agency program to become an ISP and sell local telecommunications services under its own brand name as a complement to the other services it offers.

Historically, CTC's revenues had consisted of agency revenues earned as an agent, primarily for Bell Atlantic, and of telecommunications revenues earned from the sale of long distance, Frame Relay, Internet access and other communications services. For the nine months ended December 31, 1997, agency revenues accounted for approximately 71% of the Company's revenues and telecommunications revenues accounted for the remainder. As a result of the Company's termination of its agency contract with Bell Atlantic in December 1997, the Company will no longer earn agency revenues from Bell Atlantic. Telecommunications revenues are not expected to be affected in any material way by the change in status. In addition, since becoming an ICP the Company has derived, and expects to continue to derive, telecommunications revenue from the sale of local telephone service under its own brand name.

Although management believes that the Company's facilities-based ICP strategy will have a positive effect on the Company's results of operations over the long term, this strategy is expected to have a negative effect on the Company's financial condition and results of operations over the short term. The Company anticipates significant losses and negative cash flow at least through the fiscal year ending March 31, 1999, which the Company expects will be primarily attributable to the deployment of the ICN and expected expansion of operations.

Fiscal Year Ended March 31, 1998 Compared to Fiscal Year Ended March 31, 1997

The results for the fiscal year ended March 31, 1998 ("Fiscal 1998") reflect the Company's decision to terminate its agency relationship with Bell Atlantic in December 1997 and commence operations as an ICP. This decision adversely affected revenues and expenses to a certain extent in the third quarter as the Company prepared for this transition and significantly affected revenues in the fourth quarter after the transition had been effected. Total revenues of $40,947,000 for Fiscal 1998 were essentially flat as compared to $40,290,000 for the fiscal year ended March 31, 1997 ("Fiscal 1997"). Agency revenues decreased 15% to $24,775,000 for Fiscal 1998 from $29,195,000 in Fiscal 1997, primarily as a result of fourth quarter revenues of only $194,000, as compared to $8,354,000 for the same period of Fiscal 1997. This decrease reflects the fact that the Company left the Bell Atlantic agency program in December 1997, and thus no Bell Atlantic agency revenues were reported in the fourth quarter of Fiscal 1998. Telecommunications revenues increased 46% to $16,172,000 for Fiscal 1998 from $11,095,000 for Fiscal 1997. This increase reflects the increased sales of long distance, Internet access, and frame relay data services as well the commencement of the Company's sale of local telecommunications services as an ICP in the fourth quarter of Fiscal 1998. Although local telecommunications sales increased during the fourth quarter, they were significantly less than expected by the Company as a result of the imposition of the TRO in February 1998, thereby requiring the Company to sell these local services only to new customers, resulting in a longer sales cycle.

Costs of telecommunications revenues increased 61% to $14,039,000 for Fiscal 1998 from $8,709,000 for Fiscal 1997. As a percentage of telecommunications revenues, cost of telecommunications revenues was 87% for Fiscal 1998 as compared to 78% for Fiscal 1997. This overall increase was due primarily to increased sales of telecommunications services and increased costs for those services sold. Due largely to the initiation of local telecommunications sales in the fourth fiscal quarter, cost of telecommunications revenues for this period increased 127% to $5,944,000 from $2,615,000 for the same period in Fiscal 1997. These increases as a percentage of revenues were attributable to fixed costs associated with the sale of local telecommunications services, lower long distance rates extended to customers in advance of rate decreases from CTC's long distance supplier, increased costs associated with adding new customers and services, and costs associated with phasing out the Company's debit card program. As a result, the Company believes that gross margins for the fourth quarter are not representative and expects gross margins to improve in future quarters.

Selling, general and administrative expenses increased 32% to $31,492,000 in Fiscal 1998 from $23,820,000 in Fiscal 1997. This increase was a result of the increased number of sales and service employees hired in connection with the strategy shift, increased payments of commission and bonuses, increased corporate and administrative expenses, increased depreciation associated with greater capital expenditures, expenses related to new branch openings and a $1,200,000 charge for estimated costs of the Bell Atlantic litigation.

The Company reported a loss of $2,884,000 for Fiscal 1998 as compared to net income of $4,683,000 for Fiscal 1997, primarily as the result of a $6,008,000 loss in the fourth quarter.

Fiscal Year Ended March 31, 1997 Compared to Fiscal Year Ended March 31, 1996

Total revenues for Fiscal 1997 increased 30% to $40,290,000 as compared to $30,876,000 for the fiscal year ended March 31, 1996 ("Fiscal 1996"). Agency revenues increased 15% to $29,195,000 in Fiscal 1997 as compared to $25,493,000 for Fiscal 1996 due to the addition of new customers, increased sales to existing customers and the addition of new services to the Company's portfolio. Effective January 1996, NYNEX reduced certain fees and commissions payable under its 1996 agency agreement with the Company. As a result, although unit sales of Centrex and Data Products, two flagship NYNEX products, increased 30% and 66%, respectively, revenues increased only 15% as stated above.

Telecommunications revenues increased 106% to $11,095,000 for Fiscal 1997 from $5,383,000 for Fiscal 1996. This increase can be attributed to the addition of new customers to the service, as well as the introduction of new products, primarily Internet access.

Selling, general and administrative expenses increased 19% to $23,820,000 for Fiscal 1997 from $20,009,000 for Fiscal 1996. As a percentage of revenues, these expenses were 59% for Fiscal 1997, as compared to 65% for Fiscal 1996. The increase in selling, general and administrative expenses is attributable to the increase in variable sales commission and bonus expenses incurred in connection with the substantial increase in revenues. In addition, the Company increased the number of sales offices, particularly in the Northeast, hired additional sales executives, expanded the facilities at several of its existing sales branches and made additional investments in its Information System in Fiscal 1997.

Net income increased to $4,683,000 in Fiscal 1997 from $4,094,000 in Fiscal 1996, as a result of revenue growth primarily in the Northeast, combined with a continuing effort to control operating expenses.

Liquidity and Capital Resources

Historically, the Company funded its working capital and operating expenditures primarily from cash flow from operations. Principally as a result of Bell Atlantic's failure to pay approximately $14 million (approximately $11.3 million as of July 14, 1998) in agency commissions which the Company believes it is owed under its former agency contract and losses incurred in connection with CTC's transition to an ICP strategy, the Company required additional working capital from outside sources. As of July 14, 1998, the Company borrowed $8.3 million under the Credit Facility, which CTC entered into in November 1997 in anticipation of its transition to an ICP strategy. In April 1998, the Company sold $12 million of Series A Convertible Preferred Stock and warrants (the "Spectrum Financing") to Spectrum and other private investors in a private placement.

The Company has sued Bell Atlantic and believes the collection of the agency commissions is probable. However, there is no assurance that the Company will be successful in collecting those commissions. If the Company fails to collect any of the agency commissions sought or if their collection becomes less than probable, the Company would be required to write off the amounts reflected in its financial statements that it is unable to collect or for which collection becomes less than probable. Delay in the collection of, or the write-off of, the agency commissions may adversely affect the Company.

As of March 31, 1998, the Company was not in compliance with certain covenants under the Credit Facility as a result of $6 million of net losses incurred in the fourth quarter of Fiscal 1998 in conmnection with the Company's transition to an ICP strategy. The Company has obtained waivers of these defaults through September 30, 1998 and has agreed to reduce availability under the Credit Facility to $9 million.

The Company has obtained a commitment for the Interim Facility from its current lender. The Interim Facility, which would mature on June 30, 1999, would provide secured revolving loans of up to $20 million to refinance the Credit Facility, to fund capital expenditures and operating losses and for general corporate purposes. The commitment, which is subject to certain conditions, extends to September 30, 1998. To satisfy one of those conditions, the Company has received a commitment from Spectrum to purchase $5 million of Preferred Stock which extends until June 30, 1999. The Company believes that the Interim Facility and the Interim Spectrum Financing, if required, together with cash on hand would be sufficient to refinance the Credit Facility and to fund the Company's existing operations for at least the next 12 months. However, CTC would be required to delay its proposed geographic expansion and deployment of facilities or to obtain additional financing within the next 6 months.

The implementation of the Company's business plan to further penetrate its existing markets as an ICP, deploy the ICN in its existing markets, expand its sales presence into six additional states in the Boston-Washington D.C. corridor and enhance the CTC Information System and the repayment of the Credit Facility will require the Company to raise significant capital. The Company does not expect to consummate the $125 million private offering of senior discount notes and warrants under Rule 144A which it has been seeking and is actively engaged in the negotiation of commitments with alternative sources of capital to fund its business plans. Although the Company is highly optimistic that it will be successful in obtaining such financing based upon its negotiations, there can be no assurance that the Company will be able to consummate financing in the amount, on the terms and on the schedule required to implement the Company's business plan, if at all.

The timing and amount of the Company's actual capital requirements may be materially affected by many factors, including the timing and availability of financing, the timing and actual cost of expansion into new markets and deployment of the ICN, the extent of competition and pricing of telecommunications services in its markets, acceptance of the Company's services, technological change and potential acquisitions.

Year 2000 Compliance

The Company has evaluated the effect of the year 2000 date on its information systems and is implementing plans to ensure its systems and applications will effectively process information necessary to support ongoing operations of the Company in the year 2000 and beyond. The Company currently expects that its systems will be year 2000 compliant by the end of 1998. Based on management's current estimates, the costs of system modifications and enhancements, which have been and will be expensed as incurred, are not expected to be material to the results of operation or the financial position of the Company.

The Company has made inquiries with its significant suppliers to determine the extent to which the Company's interface systems and operations are vulnerable to those third parties' failure to rectify their own year 2000 issues. There can be no assurance that the systems of other companies on which the Company's systems rely will be timely converted and will not have an adverse effect on the Company's operations.

Item 8. Financial Statements and Supplementary Data

Reference is made to the Financial Statements and Notes thereto comprising a portion of this Annual Report on Form 10-K on pages F-1 to F-17.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

(a) Identification of Directors

	Age	Period Served as Director	Other Capacities in Which Currently Serving
Robert J. Fabbricatore	55	Since 1980	Chairman and Chief Executive Officer
Richard J. Santagati	54	Since 1991	None
J. Richard Murphy	53	Since 1995	None
Henry Hermann	56	Since 1996	Consultant
Ralph C. Sillari	43	Since 1997	None
William P. Collatos	44	Since 1998	None
Kevin J. Maroni	35	Since 1998	None

Mr. Robert Fabbricatore, a founder of the Company and a Director since its inception in 1980, became Chairman of the Board of Directors in March 1983 and served as President from October 1993 to August 1995. Robert Fabbricatore is the brother of Thomas Fabbricatore.

Mr. Santagati became a director of the Company in September 1991. He has been the President of Merrimack College in North Andover, Massachusetts since 1994. Mr. Santagati was a partner of Lighthouse Management, Inc., a private investment firm located in Boston, Massachusetts from 1991 to 1993 and, from 1991 to February 1994, the Chairman of the Board, Chief Executive Officer and President of Artel Communications Corp., a publicly held data communications firm located in Hudson, Massachusetts.

Mr. Murphy became a Director of the Company in August 1995. Mr. Murphy has been the Director of the Financial Consulting Group of Moody, Cavanaugh and Company, LLP, a North Andover, Massachusetts public accounting firm, since April 1996. Mr. Murphy was an officer, director and principal stockholder (ii) from 1990 to 1995 of Arlington Data Corporation, a systems integration company located in Amesbury, Massachusetts; (ii) from 1992 to 1996 of Arlington Data Consultants, Inc., a company engaged in the installation and maintenance of computer systems and hardware; and (iii) from 1994 to 1996 of Computer Emporium, Inc., a company engaged in processing parking violations for municipalities. In June 1996, Arlington Data Corporation filed for bankruptcy under Chapter 11 of the Bankruptcy Code.

Mr. Hermann became a director of the Company in September 1996. Since November 1997, he has operated Hermann Companies, a financial services company engaged in portfolio management, securities analysis and financial consulting. Mr. Hermann is registered as an Investment Advisor with the State of Texas, a Chartered Financial Analyst and, as an independent contractor, offers general securities through Brokers Transaction Services. From May 1997 to November 1997, he was employed by Kuhns Brothers & Company, Inc., as a principal and Executive Vice President. For the previous nine years, he was employed by WR Lazard, Laidlaw and Luther, Inc., a securities brokerage firm, as Vice President, Securities Analyst and Portfolio Manager. Mr. Hermann has been an NASD Board of Arbitrators Member since 1991. Mr. Hermann has provided financial consulting services to the Company since 1993.

Mr. Sillari became a director of the Company in October 1997. Since 1991, Mr. Sillari has been employed by Fleet National Bank where he is currently Executive Vice President in the Business and Entrepreneurial Services Division in Boston, Massachusetts.

Mr. Collatos became a director of the Company in April 1998 as a condition to the Spectrum Financing. Mr. Collatos is a founding General Partner of Spectrum. Prior to founding Spectrum in 1994, Mr. Collatos was a founding General Partner of Media/Communications Partners and a General Partner of TA Associates.

Mr. Collatos is a director of Galaxy Telecom Inc., TSR Paging Inc., Golden Sky Systems Inc., ITXC Corp. and Internet Network Services Holdings Ltd.

Mr. Maroni became a director of the Company in April 1998 as a condition to the Spectrum Financing. Mr. Maroni is a General Partner of Spectrum, which he joined in 1994. Prior to joining Spectrum, he served as Manager, Finance and Development at Time Warner Telecommunications, where he was involved in corporate development projects. Mr. Maroni is a director of Pathnet, Inc., Formus Communications, Inc., WNP Communications, Inc. and American Cellular Corp.

Pursuant to Section 50A of Chapter 156B of the Massachusetts General Laws and as provided in the Company's Amended and Restated By-laws, the Board of Directors is classified into three classes, as nearly as equal in number as possible, so that each director (after a transitional period) will serve for three years, with one class of directors being elected each year. The board is currently comprised of two Class I Directors (Messrs. Hermann and Sillari), two Class II Directors (Messrs. Murphy and Santagati) and three Class III Directors (Messrs. Fabbricatore, Maroni and Collatos). The terms of the Class I, Class II and Class III Directors expire upon the election and qualification of successor directors at annual meetings of stockholders held following the end of fiscal years 1998, 1999 and 2000, respectively.

Director Compensation

Directors of the Company who are employees do not receive compensation for their services as directors. Directors who are not employees receive an annual retainer of $10,000. On May 16, 1997, the Company granted to Messrs. Hermann, Murphy and Santagati stock options to purchase 10,000, 10,000 and 15,000 shares, respectively, of its Common Stock at a purchase price of $7.44 per share. On October 20, 1997, the Company granted to Mr. Sillari a stock option to purchase 10,000 shares of its Common Stock at a purchase price of $8.25 per share upon his becoming a director of the Company. These options were repriced on March 20, 1998 to $7.19 per share.

Committees of the Board of Directors

The Company has established an Audit Committee, Compensation Committee and a Nominating Committee.

The Audit Committee consists of Messrs. Murphy and Hermann. The Audit Committee is responsible for reviewing the internal accounting controls of the Company, meeting and conferring with the Company's certified public accountants and reviewing the results of the accountants' auditing engagement.

The Compensation Committee consists of Messrs. Maroni, Santagati and Murphy. The Compensation Committee establishes compensation and benefits for the Company's senior executives. The Committee also determines the number and terms of stock options granted to employees, directors and consultants of the Company under the Company's stock option plans.

The Nominating Committee consists of Messrs, Santagati, Murphy and Sillari. The Nominating Committee recommends candidates for nomination to the Board of Directors. The Committee also rev[illegible] and makes recommendations regarding compensation for non-employee directors.

Voting Agreement

Pursuant to a Voting Agreement dated April 10, 1998 between Robert J. Fabbricatore and certain of his affiliates and Spectrum, Mr. Fabbricatore and certain of his affiliates agreed to vote at each annual or special meeting at which directors of the Company are to be elected all of the shares of Common Stock held by them in favor of persons designated by a majority of the outstanding shares of Series A Preferred Stock as nominees for directors, subject to certain limitations based on the number of shares of Series A Preferred Stock outstanding at any time.

(b) **Identification of Executive Officers**

Name	Age	Current Office Held
Robert J. Fabbricatore..	55	Chairman, Chief Executive Officer
Steven P. Milton	44	President, Chief Operating Officer
Steven C. Jones	35	Executive Vice President, Chief Financial Officer and Director of Corporate Development
John D. Pittenger......	45	Executive Vice President—Finance and Administration, Treasurer and Clerk
David E. Mahan	56	Vice President—Market and Strategic Planning
Michael H. Donnellan..	44	Vice President—Operations
Thomas Fabbricatore ..	39	Vice President—Regulatory and Electronic Media
Anthony D. Vermette ..	37	Vice President—Sales

Mr. Milton has been employed by the Company since 1984 and has served as President and Chief Operating Officer since August 1995. Prior to that, he held various positions within the Company including Branch Manager, District Manager, Regional Manager and, most recently, Vice President—Sales and Marketing.

Mr. Jones joined the Company in early 1998 and has served as an Executive Vice President and Chief Financial Officer since April 1998. From 1994 to April 1998, Mr. Jones worked in the telecommunications investment banking division of Merrill Lynch & Co., most recently as a Vice President. From 1991 to 1994, Mr. Jones was an Associate at BT Securities Corp.

Mr. Pittenger has served as Executive Vice President—Finance and Administration since April 1998 and as Treasurer and Clerk of the Company since August 1989. Mr. Pittenger served as Vice President—Finance from 1991 until April 1998, and as Chief Financial Officer from 1989 to April 1998.

Mr. Mahan joined the Company in October 1995 as Vice President—Marketing and Strategic Planning and in June 1996 became an executive officer of the Company. Prior to joining the Company, Mr. Mahan held a number of senior management level positions with NYNEX, most recently as Vice President—Sales Channel Management from 1993 to 1995.

Mr. Donnellan has been employed by the Company since 1988 in a number of positions. He was named Vice President—Operations in 1995 and became an executive officer of the Company in October 1997.

Mr. Thomas J. Fabbricatore joined the Company in 1982. He was named Vice President—Regulatory and Electronic Media in 1991 and became an executive officer of the Company in October 1997. Thomas Fabbricatore is the brother of Robert J. Fabbricatore.

Mr. Vermette has been employed by the Company in a variety of positions since 1987. Mr. Vermette was named Vice President—Sales in 1996 and became an executive officer in October 1997.

For a description of the business background of Mr. Robert Fabbricatore see "Identification of Directors" above.

Item 11. Executive Compensation

The following table provides certain summary information concerning the compensation paid or accrued by the Company to or on behalf of the Company's Chief Executive Officer and each of the four other most highly paid executive officers of the Company ("Named Executive Officers") during the fiscal year ended March 31, 1998.

Summary Compensation Table

	Annual Compensation				Long-Term Compensation	
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation($)	Securities Underlying Options (#)(1)	All Other Compensation
Robert J. Fabbricatore,	1998	240,000	60,000	—	150,000	$19,550
Chairman and Chief	1997	240,000	60,000	—	—	18,075
Executive Officer	1996	240,000	60,000	—	—	16,100
Steven P. Milton,	1998	100,000	40,000	5,200	150,000	4,200
President and Chief	1997	100,000	40,000	5,200	—	4,075
Operating Officer	1996	100,000	40,000	5,200	—	4,200
Anthony D. Vermette,	1998	86,647	58,424	4,000	100,000	3,456
Vice President	1997	80,000	54,198	4,000	—	3,776
	1996	80,000	28,000	4,000	—	3,240
Michael H. Donnellan,	1998	92,500	4,000	4,000	80,000	3,975
Vice President of	1997	80,000	32,000	4,000	—	3,360
Operations	1996	63,000	132,119	4,000	—	3,887
David E. Mahan,	1998	100,000	40,000	5,004	260,000	4,075
Vice President—Market	1997	100,000	40,000	5,004	—	4,075
Planning & Development	1996(3)	50,000	20,000	2,500	100,000	—

(1) On March 20, 1998, the Company repriced all previously granted options that had an exercise price in excess of $7.00 per share. Includes 75,000, 75,000, 50,000, 40,000 and 180,000 shares underlying options previously granted to Messrs. Fabbricatore, Milton, Vermette, Donnellan, and Mahan, respectively, that were canceled as a result of the repricing.

(2) Includes 50% matching contributions in the amounts of $4,750, $4,200, $4,200, $3,456, $3,975 and $4,075 accrued on behalf of Messrs. Fabbricatore, Milton, Vermette, Donnellan, and Mahan, respectively, to the CTC Communications Corp. 401(k) Savings Plan. Also included is the actuarial benefit in the amount of approximately $14,800 on the "split-dollar" life insurance policy for the benefit of Mr. Fabbricatore.

(3) Mr. Mahan commenced employment with the Company on October 1, 1995.

The following table sets forth information concerning option grants and option holdings for the fiscal year ended March 31, 1998 with respect to the Named Executive Officers.

OPTION GRANTS IN LAST FISCAL YEAR

Name	No. of Securities Underlying Option Granted(#)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price ($/Sh)	Expiration Date	Potential Realizable Value as Assumed Annual Rates of Stock Price Appreciation for Option Term 5%($)	10%($)
Robert J. Fabbricatore	75,000(1)	3%	$8.18	5/16/2002	$ 98,339	$284,788
	75,000	3%	7.91	5/16/2002	95,033	275,216
Steven P. Milton	75,000(1)	3%	7.44	5/16/2002	154,124	340,573
	75,000	3%	7.19	5/16/2002	148,943	329,126
Anthony D. Vermette	50,000(1)	2%	7.44	5/16/2002	102,749	227,049
	50,000	2%	7.19	5/16/2002	99,296	219,417
Michael H. Donnellan	40,000(1)	1%	7.44	5/16/2002	82,199	181,639
	40,000	1%	7.19	5/16/2002	79,436	175,534
David E. Mahan	80,000(1)	3%	7.44	5/16/2002	164,399	363,278
	80,000	3%	7.19	5/16/2002	158,873	351,068
	100,000	4%	7.19	10/02/2000	198,391	438,835

(1) Canceled as a result of option repricing.

AGGREGATE OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

The following table sets forth information concerning the exercise of options by the Named Executive Officers during the fiscal year ended March 31, 1998 and the March 31, 1998 aggregate value of unexercised options held by each of the Named Executive Officers.

Name	Shares Acquired on Exercise(#)	Value Realized($)	Number of Securities Underlying Unexercised Options at Fiscal Year End(#)(1) Exercisable/	Unexercisable	Value of Unexercised In-the-Money Options at Fiscal Year End($)(1)(2) Exercisable/	Unexercisable
Robert J. Fabbricatore	—	—	25,167	83,389	143,704	106,401
Anthony D. Vermette	13,251	142,484	59,649	69,500	412,913	209,731
Michael H. Donnellan	—	—	77,626	61,750	545,503	208,188
Steven P. Milton	—	—	27,000	84,000	161,487	166,329
David E. Mahan	—	—	50,000	130,000	75,000	195,000

(1) All shares and amounts, as necessary, have been adjusted to reflect the 25% Common Stock dividend effected in March 1995, the three-for-two stock split effect in July 1995 and the two-for-one stock split effected in October 1995.

(2) Assumes a fair market value of the Common Stock of the Company at March 31, 1998 of $8.69 per share.

Employment Agreement

Mr. Jones is currently employed as Executive Vice-President, Chief Financial Officer and Director of Corporate Development pursuant to an agreement dated as of February 27, 1998. The agreement provides for an initial term of three years and will automatically be extended for additional one-year periods on the anniversary of the Effective Date (as defined therein) provided that neither Mr. Jones nor the Company gives notice of termination 90 days prior to any such anniversary. Under this agreement, Mr. Jones is entitled to receive an annual salary of $150,000. Mr. Jones is eligible to receive an annual bonus of at least $75,000 based upon the achievement of certain performance objectives. Pursuant to his employment agreement, Mr. Jones was granted options to purchase 300,000 shares of Common Stock exercisable at $7.06 per share and vesting over a three year period. If the Company terminates Mr. Jones without cause, or Mr. Jones terminates the agreement for (i) "good reason" as defined therein or (ii) in connection with a change of control, Mr. Jones is entitled to a severance payment equal to a lump sum amount in cash, equal to the sum of (i) two year's base salary at the highest annual base salary then in effect and (ii) the greater of twice his highest annual bonus or $150,000.

Item 12. Security Ownership Of Certain Beneficial Owners And Management

The following table sets forth certain information as of July 10, 1998 with respect to each stockholder known by the Company to beneficially own more than 5% of the outstanding shares of the Company's Common Stock, the beneficial ownership of the Company's Common Stock by each director and named executive officer of the Company, and by all of the directors and officers of the Company as a group. Based on the information furnished by the beneficial owners of the Common Stock listed below, the Company believes that each such stockholder exercises sole voting and investment power with respect to the shares beneficially owned.

	Beneficial Ownership	
Name	Number	Percent of Cl[illegible]
Robert J. Fabbricatore(1)	2,759,891	27.5%
Spectrum Equity Investors II, L.P.(2)	1,476,454	12.9
Henry Hermann(3)	215,922	2.2
Richard J. Santagati(4)	84,500	*
J. Richard Murphy(5)	14,334	*
Ralph C. Sillari	500	*
William P. Collatos(2)	1,476,454	12.9
Kevin J. Maroni(2)	1,476,454	12.9
Steven P. Milton(6)	436,682	4.4
David E. Mahan(7)	133,100	1.3
Michael H. Donnellan(8)	107,340	1.1
Anthony J. Vermette(9)	98,057	1.0
All Officers and Directors as as Group (14 persons)(10)	5,832,932	48.5

* Less than 1%.

(1) Includes 62,498 shares owned by Mr. Fabbricatore as trustee of a trust for his children and 1,13[illegible],239 shares as a general partner of a family partnership; also includes 43,917 shares issuable upon exercise of options exercisable within 60 days of July 10, 1998. Mr. Fabbricatore's address is c/o CTC Communications Corp., 360 Second Avenue, Waltham, Massachusetts 02154.

(2) Includes 131,511 shares issuable upon the exercise of a warrant exercisable within 60 days of July 10, 1998 and 1,344,943 shares issuable upon conversion of Series A Preferred Stock as of July 10, 1998. As general partners of Spectrum, each of Mr. Collatos, Mr. Maroni and Brion B. Applegate may be deemed to be beneficial owners of the shares beneficially owned by Spectrum. The address of Spectrum and its general partners is One International Place, 29th Floor, Boston, Massachusetts 02110.

(3) Includes 9,750 shares held by Mr. Hermann's spouse and 10,334 shares issuable upon the exercise of options exercisable within 60 days of July 10, 1998.

(4) Includes 9,500 shares issuable upon the exercise of options exercisable within 60 days of July 10, 1998.

(5) Includes 1,000 shares owned by Mr. Murphy as trustee of a trust for his spouse and 13,334 shares issuable upon the exercise of options exercisable within 60 days of July 10, 1998.
(6) Includes 4,500 shares owned by Mr. Milton as trustee of a trust for his children and 45,750 shares issuable upon the exercise of options exercisable within 60 days of July 10, 1998.
(7) Includes 70,000 shares issuable upon the exercise of options exercisable within 60 days of July 10, 1998.
(8) Includes 87,626 shares issuable upon the exercise of options exercisable within 60 days of July 10, 1998.
(9) Includes 72,149 shares issuable upon the exercise of options exercisable within 60 days of July 10, 1998.
(10) Includes the shares described in footnotes (1) through (9) above.

Preferred Stock

As of July 10, 1998, Spectrum Equity Investors II, L.P., located at One International Place, Boston, MA 02110, owned 657,555 of the 666,666 shares, or 98.6%, of the Series A Preferred Stock outstanding.

Item 13. Certain Relationships And Related Transactions

The Company leases from trusts, of which Robert J. Fabbricatore, the Company's Chairman and Chief Executive Officer, is a beneficiary, office space in Springfield, Massachusetts and southern New Hampshire. Rental payments under the leases totaled approximately $134,000, $133,000 and $133,000 in Fiscal 1996, Fiscal 1997 and Fiscal 1998, respectively. The Company subleases part of its Waltham facility at its cost to Comm-Tract Corp., a company in which Mr. Fabbricatore is a principal stockholder. Sublease income totaled $73,417, $80,416 and $119,416 for Fiscal 1996, Fiscal 1997 and Fiscal 1998, respectively. The Company also contracts with Comm-Tract Corp. for the installation of telephone lines and for the service and maintenance of equipment marketed by the Company. During Fiscal 1996, Fiscal 1997 and Fiscal 1998, Comm-Tract Corp. provided the Company with services, inventory and equipment aggregating $40,880, $97,190 and $233,034, respectively. The Company believes that the payments to the trusts and Comm-Tract Corp. are comparable to the costs for such services, inventory and equipment, and for rentals of similar facilities, which the Company would be required to pay to unaffiliated individuals in arms-length transactions.

In connection with the exercise of Company stock options in Fiscal 1995, Steven P. Milton was advanced the sum of $135,825 by the Company, which remained outstanding at March 31, 1998. The loan is payable on demand and bears interest at 8.0% per annum.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the Securities and Exchange Commission (the "Commission") initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than ten percent shareholders are required by Commission regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and, with respect to its officer and directors, written representations that no other reports were required, during Fiscal 1998, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with. In making the foregoing statement, the Company has relied on the written representations of its directors and officers and copies of the reports that have been filed with the Commission.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 10-K

(a)(1) ***The following financial statements are included in Part II, Item 8:***

Balance Sheets
March 31, 1998 and 1997

Statements of Income
Years Ended March 31, 1998, 1997 and 1996

Statements of Stockholders' Equity
Years Ended March 31, 1998, 1997 and 1996

Statements of Operations
Years Ended March 31, 1998, 1997 and 1996

Notes to Financial Statements

(a)(2) ***The following financial statement schedule for the years ended March 31, 1998, 1997 and 1996 is submitted herewith:***

Schedule II—Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(b) *Reports on Form 8-K.*

On February 3, 1998, the Company filed a report on Form 8-K disclosing the Fleet Credit Facility and the Bell Atlantic Litigation.

(c) *Exhibits.*

Number	Description of Exhibit
3.1	Restated Articles of Organization, as amended(6)
3.2	Amended and Restated By-Laws of Registrant(6)
4.1	Form of Common Stock Certificate(5)
9.1	Voting Agreement dated April 10, 1998 among Robert Fabbricatore and certain of his affiliates and Spectrum(7)
10.1	1996 Stock Option Plan(3)
10.2	1993 Stock Option Plan(5)
10.3	Employee Stock Purchase Plan(4)
10.4	Lease for premises at 360 Second Ave., Waltham MA(5)
10.5	Sublease for premises at 360 Second Ave., Waltham MA(5)
10.6	Lease for premises at 110 Hartwell Ave., Lexington MA(5)
10.7	Lease for premises at 120 Broadway, New York, NY(5)
10.8	Agreement dated February 1, 1996 between NYNEX and the Company(5)
10.9	Agreement dated May 1, 1997 between Pacific Bell and the Company (5)

Number	Description of Exhibit
10.10	Agreement dated January 1, 1996 between SNET America, Inc. and the Company(5)
10.11	Agreement dated June 23, 1995 between IXC Long Distance, Inc. and the Company, as amended(5)
10.12	Agreement dated August 19, 1996 between Innovative Telecom Corp. and the Company(5)
10.13	Agreement dated October 20, 1994 between Frontier Communications International, Inc. and the Company, as amended(5)
10.14	Agreement dated January 21, 1997 between Intermedia Communications Inc. and the Company(5)
10.15	Employment Agreement between the Company and Steve Jones dated February 27, 1998(7)
10.16	Securities Purchase Agreement dated April 10, 1998 among the Company and the Purchasers named therein(6)
10.17	Registration Rights Agreement dated April 10, 1998 among the Company and the Holders named therein(6)
10.18	Form of Warrant dated April 10, 1998(6)
23.1	Consent of Ernst & Young LLP(7)
27	Financial Data Schedule(7)
99.1	Risk Factors(7)

(1) Incorporated by reference to an Exhibit filed as part of the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 1996.

(2) Incorporated by reference to an Exhibit filed as part of the Registrant's Registration Statement on Form S-18 (Reg. No. 2-96419-B).

(3) Incorporated by reference to an Exhibit filed as part of the Registrant's Registration Statement on Form S-8 (File No. 333-17613).

(4) Incorporated by reference to an Exhibit filed as part of the Registrant's Registration Statement on Form S-8 (File No. 33-44337).

(5) Incorporated by reference to an Exhibit filed as part of the Registrant's Annual Report on Form 10-K for the Fiscal Year Ended March 31, 1997.

(6) Incorporated by reference to the Registrant's Current Report on Form 8-K dated May 15, 1998 filed with the Commission on May 15, 1998.

(7) Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on behalf by the undersigned thereunto duly authorized.

CTC COMMUNICATIONS CORP.

/s/ ROBERT J. FABBRICATORE

Robert J. Fabbricatore,
Chairman and CEO

Date: July 15, 1998

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

Signature	Title
/s/ ROBERT J. FABBRICATORE Robert J. Fabbricatore	Chairman and Chief Executive Officer
/s/ STEVEN C. JONES Steven C. Jones	Executive Vice President, Chief Financial Officer and Director of Corporate Development (principal financial officer)
/s/ JOHN D. PITTENGER John D. Pittenger	Executive Vice President—Finance and Administration (principal accounting officer)
/s/ RICHARD J. SANTAGATI Richard J. Santagati	Director
/s/ J. RICHARD MURPHY J. Richard Murphy	Director
/s/ HENRY HERMANN Henry Hermann	Director
/s/ RALPH C. SILLARI Ralph C. Sillari	Director
/s/ WILLIAM P. COLLATOS William P. Collatos	Director
/s/ KEVIN J. MARONI Kevin J. Maroni	Director

Date: July 15, 1998

CTC COMMUNICATIONS CORP.

INDEX TO FINANCIAL STATEMENTS

Audited Financial Statements

REPORT OF INDEPENDENT AUDITORS

Board of Directors
CTC Communications Corp.

We have audited the accompanying financial statements of CTC Communications Corp., as of March 31, 1998 and 1997, and the related statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 1998. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CTC Communications Corp. at March 31, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 1998, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

ERNST & YOUNG LLP

Boston, Massachusetts
May 28, 1998, except for Note 1,
as to which the date is July 15, 1998

CTC COMMUNICATIONS CORP.

BALANCE SHEETS

	March 31, 1998	March 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,167,930	$ 6,405,670
Accounts receivable, less allowance for doubtful accounts of $492,000 in 1998 and $377,000 in 1997	17,288,183	10,904,820
Prepaid expenses and other current assets	791,736	447,441
Amounts due from officers and employees	84,754	46,112
Income tax receivable	2,152,579	
Total current assets	22,485,182	17,804,043
Equipment:		
Equipment	13,376,970	7,268,372
Accumulated depreciation	(6,837,683)	(5,565,650)
	6,539,287	1,702,722
Deferred income taxes	1,834,000	566,000
Other assets	108,885	113,685
	$30,967,354	$20,186,450
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 8,958,476	$ 3,238,416
Accrued income taxes		225,948
Accrued salaries and related taxes	756,159	2,423,825
Deferred revenue		6,588
Current portion of obligations under capital leases	231,796	
Current portion of note payable to bank	1,196,400	
Total current liabilities	11,142,831	5,894,777
Obligations under capital leases, net of current portion	1,114,277	
Note payable to bank, net of current portion	7,130,671	
Commitments and contingencies		
Stockholders' equity:		
Series Preferred Stock—par value $1.00 per share; authorized 1,000,000 shares, none outstanding		
Common Stock, par value $.01 per share; authorized 25,000,000 shares, issued 9,980,661 and 9,629,407 shares in 1998 and 1997, respectively	99,806	96,294
Additional paid-in capital	5,245,704	4,758,454
Deferred compensation	(318,410)	
Retained earnings	6,688,300	9,572,750
	11,715,400	14,427,498
Amounts due from stockholders	(135,825)	(135,825)
	11,579,575	14,291,673
	$30,967,354	$20,186,450

See accompanying notes.

CTC COMMUNICATIONS CORP.

STATEMENTS OF OPERATIONS

	Year Ended March 31,		
	1998	1997	1996
Revenues:			
Agency	$24,775,420	$29,195,261	$25,492,511
Telecommunications	16,171,716	11,094,838	5,383,414
	40,947,136	40,290,099	30,875,925
Costs and expenses:			
Cost of telecommunications revenues	14,038,565	8,709,122	4,241,575
Selling, general and administrative expenses	31,491,963	23,819,714	20,009,432
	45,530,528	32,528,836	24,251,007
Income (loss) from operations	(4,583,392)	7,761,263	6,624,918
Other:			
Interest income	145,012	201,369	195,979
Interest expense	(106,465)	(17,753)	(604)
Other	174,395	15,052	9,631
	212,942	198,668	205,006
Earnings (loss) before income taxes	(4,370,450)	7,959,931	6,829,924
Provision (benefit) for income taxes	(1,486,000)	3,277,000	2,736,000
Net income (loss)	$ (2,884,450)	$ 4,682,931	$ 4,093,924
Earnings (loss) per common share:			
Basic	$ (0.29)	$ 0.49	$ 0.43
Diluted	$ (0.29)	$ 0.43	$ 0.38
Shares used in computing earnings (loss) per common share:			
Basic	9,886,000	9,600,000	9,446,000
Diluted	9,886,000	10,773,000	10,712,000

See accompanying notes.

CTC COMMUNICATIONS CORP.

STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Deferred Compensation	Retained Earnings	Treasury Stock	Amounts Due From Stockholders	Total
Balance at March 31, 1995	3,124,437	$31,244	$4,871,302		$ 796,734	$ (13,860)	$(159,825)	$ 5,525,595
Issuance of stock pursuant to employee stock purchase plan	9,082	91	58,153					58,244
Exercise of employee stock options	197,143	1,971	121,053					123,024
Acquisition of treasury stock						(329,125)		(329,125)
Retirement of treasury stock	(25,454)	(254)	(342,731)			342,985		
Settlement of amounts due from stockholders							24,000	24,000
Issuance of stock upon 3 for 2 stock split	1,560,742	15,607	(15,607)		(839)			(839)
Issuance of stock upon 2 for 1 stock split	4,718,172	47,182	(47,182)					
Net income					4,093,924			4,093,924
Balance at March 31, 1996	9,584,122	95,841	4,644,988		4,889,819	0	(135,825)	9,494,823
Issuance of stock pursuant to employee stock purchase plan	8,714	87	70,088					70,175
Exercise of employee stock options	36,571	366	43,378					43,744
Net income					4,682,931			4,682,931
Balance at March 31, 1997	9,629,407	96,294	4,758,454		9,572,750	0	(135,825)	14,291,673
Issuance of stock pursuant to employee stock purchase plan	9,844	98	71,662					71,760
Exercise of employee stock options	376,387	3,764	347,222					350,986
Acquisition of treasury stock						(271,072)		(271,072)
Retirement of treasury stock	(34,977)	(350)	(270,722)			271,072		
Deferred compensation			339,088	$(318,410)				20,678
Net loss					(2,884,450)			(2,884,450)
Balance at March 31, 1998	9,980,661	$99,806	$5,245,704	$(318,410)	$ 6,688,300	0	$(135,825)	$11,579,575

See accompanying notes.

CTC COMMUNICATIONS CORP.

STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Deferred Compensation	Retained Earnings	Treasury Stock	Amounts Due From Stockholders	Total
Balance at March 31, 1995	3,124,437	$31,244	$4,871,302		$ 796,734	$ (13,860)	$(159,825)	$ 5,525,595
Issuance of stock pursuant to employee stock purchase plan	9,082	91	58,153					58,244
Exercise of employee stock options	197,143	1,971	121,053					123,024
Acquisition of treasury stock						(329,125)		(329,125)
Retirement of treasury stock	(25,454)	(254)	(342,731)			342,985		
Settlement of amounts due from stockholders							24,000	24,000
Issuance of stock upon 3 for 2 stock split	1,560,742	15,607	(15,607)		(839)			(839)
Issuance of stock upon 2 for 1 stock split	4,718,172	47,182	(47,182)					
Net income					4,093,924			4,093,924
Balance at March 31, 1996	9,584,122	95,841	4,644,988		4,889,819	0	(135,825)	9,494,823
Issuance of stock pursuant to employee stock purchase plan	8,714	87	70,088					70,175
Exercise of employee stock options	36,571	366	43,378					43,744
Net income					4,682,931			4,682,931
Balance at March 31, 1997	9,629,407	96,294	4,758,454		9,572,750	0	(135,825)	14,291,673
Issuance of stock pursuant to employee stock purchase plan	9,844	98	71,662					71,760
Exercise of employee stock options	376,387	3,764	347,222					350,986
Acquisition of treasury stock						(271,072)		(271,072)
Retirement of treasury stock	(34,977)	(350)	(270,722)			271,072		
Deferred compensation			339,088	$(318,410)				20,678
Net loss					(2,884,450)			(2,884,450)
Balance at March 31, 1998	9,980,661	$99,806	$5,245,704	$(318,410)	$ 6,688,300	0	$(135,825)	$11,579,575

See accompanying notes.

CTC COMMUNICATIONS CORP.

STATEMENTS OF CASH FLOWS

	Year Ended March 31		
	1998	1997	1996
OPERATING ACTIVITIES			
Net income (loss)	$(2,884,450)	$ 4,682,931	$ 4,093,924
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,417,866	742,895	660,338
Provision for doubtful accounts	1,421,000	316,669	61,763
Deferred income taxes	(1,268,000)	(289,000)	(124,000)
Stock compensation expense	20,678		
Gain on sale of fixed asset	(143,333)		
Changes in operating assets and liabilities:			
Accounts receivable	(7,804,363)	(4,664,260)	(2,979,772)
Other current assets	(382,937)	(123,789)	(231,642)
Income tax receivable	(2,152,579)	21,125	(21,125)
Other assets	4,800	4,800	(90,200)
Accounts payable, accrued expenses, accrued salaries and related taxes	4,052,394	2,657,149	1,103,061
Accrued income taxes	(225,948)	225,948	(281,569)
Deferred revenue and other	(6,588)	(2,714)	1,128
Net cash provided by (used in) operating activities	(7,951,460)	3,571,754	2,191,906
INVESTING ACTIVITY			
Additions to equipment, net	(4,765,025)	(1,221,879)	(759,204)
Net cash used in investing activity	(4,765,025)	(1,221,879)	(759,204)
FINANCING ACTIVITIES			
Proceeds from issuance of common stock	151,674	113,919	119,467
Borrowings under note payable to bank, net of repayments	8,327,071		
Cash paid for fractional shares in connection with stock splits			(839)
Net cash provided by financing activities	8,478,745	113,919	118,628
Increase (decrease) in cash and cash equivalents	(4,237,740)	2,463,794	1,551,330
Cash and cash equivalents at beginning of year	6,405,670	3,941,876	2,390,546
Cash and cash equivalents at end of year	$ 2,167,930	$ 6,405,670	$ 3,941,876

See accompanying notes.

CTC COMMUNICATIONS CORP.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1998

1. Summary of Significant Accounting Policies

The Company

CTC Communications Corp. (the Company) is an integrated communications provider (ICP), which offers local, long distance, Internet access, Frame Relay and other data services under its own brand name on a single integrated bill. The Company serves small to medium-sized business customers in seven Northeastern states. Prior to becoming an ICP in January 1998, the Company was a sales agent for Bell Atlantic Corp. (Bell Atlantic) and other telecommunications providers selling local telecommunications services as an agent since 1984. The Company has also offered long distance and data services under its own brand name since 1994. In late 1998, the Company plans to begin deploying a data-centric network in its existing markets.

The Company has obtained a commitment for an interim credit facility (the Interim Facility) from its current lender. The Interim Facility, which would mature on June 30, 1999, would provide secured revolving loans of up to $20 million to refinance the Company's existing credit facility (the Credit Facility), to fund capital expenditures and significant operating losses expected to be incurred in connection with the Company's transition to an ICP strategy and for general corporate purposes. The commitment, which is subject to certain conditions, extends to September 30, 1998. To satisfy one of those conditions, the Company has received a commitment from Spectrum to purchase $5 million of Preferred Stock which extends until June 30, 1999 (the Interim Spectrum Financing). The Company believes that the Interim Facility and the Interim Spectrum Financing, if required, together with cash on hand would be sufficient to refinance the Credit Facility and to fund the Company's existing operations for at least the next 12 months. However, CTC would be required to delay its proposed geographic expansion and deployment of facilities or to obtain additional financing within the next 6 months.

The implementation of the Company's business plan to further penetrate its existing markets as an ICP, deploy the ICN in its existing markets, expand its sales presence into six additional states in the Boston-Washington D.C. corridor and enhance the CTC Information System and the repayment of the Credit Facility will require the Company to raise significant capital. The Company has been seeking and is actively engaged in the negotiation of commitments with alternative sources of long-term financing to fund its business plans. Although the Company is highly optimistic that it will be successful in obtaining such financing based upon its negotiations, there can be no assurance that the Company will be able to consummate financing in the amount, on the terms and on the schedule required to implement the Company's business plan, if at all.

Agency revenues derived from commissions received from Bell Atlantic represented 48%, 63% and 69% of the Company's total revenues in 1998, 1997 and 1996, respectively. Accounts receivable from Bell Atlantic amounted to 63% and 70% of total accounts receivable at March 31, 1998 and 1997, respectively. See Note 2.

Cash and Cash Equivalents

The Company considers highly liquid investments with maturities of less than three months at the date of acquisition as cash equivalents.

Equipment

Equipment is stated on the basis of cost. Depreciation, including amortization of capitalized leases, is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Revenue Recognition

Telecommunications revenues are recognized as the usage accrues on the network. Agency revenues are recognized when ordered and, if commissions are based on usage, revenues are recognized as earned. Provisions for cancellations are made at the time revenue is recognized and actual experience prior to the developments described in Note 2 has consistently been within management's estimates.

Income Taxes

The Company provides for income taxes under the liability method prescribed by Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." Under this method, deferred income taxes are recognized for the future tax consequences of differences between the tax and financial accounting bases of assets and liabilities at each year end. Deferred income taxes are based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Accounting Pronouncements

In 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 130, Reporting Comprehensive Income and SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information. Both SFAS 130 and SFAS 131 are effective for fiscal years beginning after December 15, 1997. The Company believes that the adoption of these new accounting standards will not have a material impact on the Company's financial statements.

Earnings Per Share

In 1997, the FASB issued SFAS No. 128, Earnings per Share. SFAS No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented, and where appropriate, restated to conform to the SFAS No. 128 requirements.

Risks and Uncertainties

Concentration of Credit Risk.

Financial instruments which potentially subject the Company to a concentration of credit risk principally consist of cash and cash equivalents and trade receivables. The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of these instruments.

Significant Estimates and Assumptions

The financial statements have been prepared in conformity with generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions made by management affect the Company's provision for doubtful accounts, cancellation of orders and certain accrued expenses. Actual results could differ from those estimates.

Accounting for Stock Issued to Employees

The Company grants stock options for a fixed number of shares to employees with an exercise price equal to the fair market value of the shares at the date of the grant (110% of the fair market value for owners of 20% or more of the Company's Common Stock). The Company has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25) and related Interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under SFAS No. 123, Accounting for Stock-Based Compensation, requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

2. Bell Atlantic Litigation

In December 1997, the Company terminated its agency contract and filed suit against Bell Atlantic for breaches of contract, including the failure of Bell Atlantic's retail division to pay $14 million in agency commissions (approximately $12 million at March 31, 1998) owed to the Company. The Company also asserted violations by Bell Atlantic of antitrust laws and the Telecommunications Act. The Company intends to pursue this suit vigorously. Although the Company believes the collection of the agency commissions sought in the suit is probable, there can be no assurance that the Company will be successful in collecting those commissions. If the Company fails to collect any of the agency commissions sought or if their collection becomes less than probable, the Company would be required to write off the amounts reflected in its financial statements that it is unable to collect or for which collection becomes less than probable. Delay in collection of, or the write-off of, the agency commissions sought may adversely affect the Company.

3. Related-Party Transactions

The installation of telephone systems is generally subcontracted to a company controlled by the Chairman of the Company. Amounts paid to this subcontractor which are based on fair market value amounted to $1,723, $28,217 and $1,089 in 1998, 1997 and 1996, respectively. Additionally, inventory and equipment purchased from this subcontractor at fair market value amounted to $231,052, $68,973 and $39,791 in 1998, 1997 and 1996, respectively.

The Company leases office space from trusts in which the Chairman is a beneficiary. Rent expense for these facilities aggregated $132,656, $132,656 and $133,949 in 1998, 1997 and 1996, respectively. These office space leases expire in fiscal 1998.

The Company subleases a part of its corporate facility to a company controlled by the Chairman of the Company. Terms of the sublease are identical with those included in the Company's lease. Sublease income totaled $119,416, $80,416 and $73,417 in 1998, 1997 and 1996, respectively.

4. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

	March 31	
	1998	1997
Trade accounts payable	$5,778,048	$2,015,409
Accrued cost of telecommunications revenue	888,031	790,039
Bell Atlantic litigation	1,200,000	
Other	1,092,397	432,968

5. Note Payable to Bank

In November 1997, the Company replaced its existing $5,000,000 revolving line of credit agreement with a bank credit facility consisting of $15,000,000 revolving line of credit, a $5,000,000 equipment line of credit, and a $5,000,000 working capital line of credit. The revolving line of credit bears interest at Libor plus 1.5% to 3.00%, or prime rate plus up to 0.5%, depending on certain coverage ratios of the Company and expires in September, 2000. The equipment and working capital lines of credit bear interest at Libor plus 1.75% to 3.25%, or prime rate plus up to 1%, depending on certain leverage ratios of the Company and expire in September 2000. At March 31, 1998, $1,339,000 and $4,018,000 was available for borrowing under the revolving line of credit, and the equipment line of credit, respectively, and no amounts were available for borrowing under the working capital line of credit.

As of March 31, 1998, the Company was not in compliance with certain covenants under its bank credit facility as a result of the Company's fourth quarter net loss of approximately $6 million. The bank has waived such covenant noncompliance under the Facility until September 30, 1998. See Note 1.

Note payable to bank consisted of the following at March 31, 1998:

Revolving line of credit due September 1, 2000	$ 2,345,071
Equipment line of credit due in annual principal installments of $196,400 through January 2003 (7.44% at March 31, 1998)	982,000
Working capital line of credit due in annual principal payments of $1,000,000 through March 2003 (7.44% at March 31, 1998)	5,000,000
	8,327,071
Less: current portion	(1,196,400)
	$ 7,130,671

Maturities of long-term debt are the following at March 31:

1999	$1,196,400
2000	1,196,400
2001	3,541,471
2002	1,196,400
2003	1,196,400

The bank has a security interest in and lien on all of the tangible and intangible personal property and fixtures of the Company, including all accounts receivable and equipment.

6. Leases

The Company leases office facilities under long-term lease agreements classified as operating leases. The following is a schedule of future minimum lease payments, net of sublease income, for operating leases as of March 31, 1998:

	Operating Leases	Sublease Income	Net
Year ending March 31:			
1999	$1,399,383	$(107,766)	$1,291,617
2000	1,098,624	(109,898)	988,726
2001	1,010,819	(111,420)	899,399
2002	937,665	(111,420)	826,245
2003	671,930	(111,420)	560,510
Net future minimum lease payments	$5,118,421	$(551,924)	$4,566,497

Rental expense for operating leases amounted to $1,121,916, $1,001,919 and $673,321 in 1998, 1997 and 1996, respectively. Sublease income amounted to $119,416, $90,016 and $82,217 in 1998, 1997 and 1996, respectively.

The Company leases equipment under capital leases. At March 31, 1998, the Company has capitalized leased equipment totaling $1,346,073 with related accumulated amortization of $134,607. The following is a schedule by year of future minimum lease payments due under capital leases, together with the present value of the minimum lease payments as of March 31, 1998:

Years ending March 31:	
1999	$ 300,308
2000	300,308
2001	300,308
2002	300,308
2003	300,308
Thereafter	25,026
	1,526,566
Less amount representing interest	(180,493)
Present value of minimum lease payments	1,346,073
Less current portion of obligations under capital leases	(231,796)
Obligations under capital leases	$1,114,277

7. Telecommunications Agreements

On January 15, 1996, the Company entered into a four-year nonexclusive agreement with a long-distance service provider for the right to provide long distance service to its customers at prices affected by volume attainment levels during the term of the agreement. The Company is not obligated to purchase any minimum levels of usage over the term of the agreement, but rates may be adjusted due to the failure of achieving certain volume commitments. These provisions had no effect on the financial statements for the years ended March 31, 1998, 1997 and 1996.

On October 20, 1994, the Company entered into a three-year non-exclusive agreement with a long-distance service provider for the right to provide long distance service to its customers at fixed prices by service during the term of the agreement. On October 11, 1996, the Company entered into an amendment to the agreement which extended the term of the agreement by five years from the date of the amendment. Over such extension period, the Company shall be liable for a minimum aggregate usage commitment of $25 million. Furthermore, the rates set forth under the aforementioned amendment may be adjusted due to the failure of meeting certain periodic volume commitments. Due to existing and expected usage, these provisions had no effect on the financial statements for the years ended March 31, 1998 and 1997.

Prior to the execution of the agreements described above, and through March 31, 1998, the Company also provided long distance service to customers under an informal non-exclusive arrangement with another long distance service provider. The Company is not obligated to purchase any minimum level of usage on the network, and there are no other performance obligations.

8. Stockholders' Equity

Common Stock

On July 13, 1995, the Board of Directors declared a 3 for 2 stock split in the form of a dividend payable to shareholders of record on July 25, 1995. A total of 1,560,742 shares of common stock were issued and $839 in cash was paid for fractional share amounts.

On October 10, 1995, the Board of Directors declared a 2 for 1 stock split in the form of a dividend payable to shareholders of record on October 23, 1995. A total of 4,718,172 shares of common stock were issued.

Preferred Stock

The dividends, liquidation preference, voting rights and other rights of each series of preferred stock, when issued, are to be designated by the Board of Directors prior to issuance.

9. Benefit Plans

Defined Contribution Plan

The Company maintains a defined contribution plan (401(k) plan) covering all employees who meet certain eligibility requirements. Participants may make contributions to the plan up to 15% of their compensation (as defined) up to the maximum established by law. The Company may make a matching contribution of an amount to be determined by the Board of Directors, but subject to a maximum of 6% of compensation contributed by each participant. Company contributions vest ratably over three years. Company contributions to the plan were $310,788, $230,079 and $210,063 in 1998, 1997 and 1996, respectively. Administrative costs paid by the Company were $5,960, $1,275 and $7,982 in 1998, 1997 and 1996, respectively.

Employee Stock Purchase Plan

The Company has an employee stock purchase plan (the ESPP) which enables participating employees to purchase Company shares at 85% of the lower of the market prices prevailing on the valuation dates as defined in the ESPP. Individuals can contribute up to 5% of their base salary. The Company made no contributions to the ESPP during the three years in the period ended March 31, 1998. Indicated below is a summary of shares of common stock purchased by the ESPP. All share and per share amounts indicated below have been presented to reflect the stock dividend and stock splits described above.

In July 1997 and February 1998, the ESPP purchased 5,438 shares at $6.48 per share and 4,406 shares at $8.29 per share, respectively.

In July 1996 and February 1997, the ESPP purchased 2,998 shares at $11.05 per share and 5,716 shares at $6.48 per share, respectively.

In July 1995 and January 1996, the ESPP purchased 7,011 shares at $3.26 per share and 2,345 shares at $11.05 per share, respectively.

Stock Option Plans

Under the terms of its 1993 Stock Option Plan and 1996 Stock Option Plan (collectively, the Plans), the Company may grant stock options for the purchase of Common Stock to all employees, directors and consultants. The Plans generally provide that the exercise price for an incentive stock option (which may only be granted to employees) will be fixed by a committee of the Board of Directors but will not be less than 100% (110% for

10% stockholders) of the fair market value per share on the date of grant. Nonqualified options may also be granted under the Plans to directors, employees and consultants. Nonqualified options under the 1993 Plan may be granted at an exercise price of no less than 85% (110% for 10% stockholders) of the fair market value per share on the date of grant and under the 1996 Plan may be granted with an exercise price less than, equal to or greater than the fair market value per share on the date of the grant. No options have a term of more than ten years and options to 10% stockholders may not have a term of more than five years.

In the event of termination of employment, other than by reason of death, disability or with the written consent of the Company, all options granted to employees are terminated. Vesting is determined by the Board of Directors.

On March 20, 1998, the Board of Directors approved the repricing of 1,175,500 options with a new exercise price of $7.19 ($7.91 for 10% stockholders).

Stock-Based Compensation

Pro forma information regarding net income (loss) and earnings (loss) per common share is required by SFAS No. 123, and has been determined as if the Company had accounted for its employee stock options and shares issued pursuant to the ESPP under the fair value method of that Statement. The fair value for these options and shares issued pursuant to the ESPP were estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	Options			ESPP		
	1998	1997	1996	1998	1997	1996
Expected life (years)	2.96	3.98	3.49	0.50	0.50	0.50
Interest rate	5.93%	6.28%	6.12%	5.43%	5.4%	6.48%
Volatility	85.14	87.88	87.88	64.67	93.03	80.93
Dividend yield	0.00	0.00	0.00	0.00	0.00	0.00

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma net income (loss) and earnings (loss) per common share are as follows:

	1998	1997	1996
Pro forma net income (loss)	$(4,973,000)	$4,094,000	$3,550,000
Pro forma earnings (loss) per common share	$ (0.50)	$ 0.39	$ 0.34

The effects on 1996, 1997 and 1998 pro forma net income (loss) and earnings (loss) per common share of expensing the estimated fair value of stock options and shares issued pursuant to the ESPP are not necessarily representative of the effects on reporting the results of operations for future years as the periods presented include only one, two and three years of option grants under the Company's plans.

A summary of the Company's stock option activity, and related information for the years ended March 31 follows:

	1998		1997		1996	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of year	1,953,112	$4.36	1,995,878	$4.01	1,526,850	$1.45
Options granted	2,791,000	7.11	280,539	9.67	1,000,250	8.06
Options terminated	1,402,718	8.36	(286,734)	7.54	(290,689)	2.37
Options exercised	376,387	.93	(36,571)	1.20	(240,533)	0.51
Outstanding at end of year	2,965,007	$5.50	1,953,112	$4.36	1,995,878	$4.01
Exercisable at end of year	698,250		772,282		613,824	
Weighted-average fair value of options granted during the year	$ 4.01		$ 6.43		$ 5.09	

The following table presents weighted-average price and life information about significant option groups outstanding at March 31, 1998:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.25	187,500	0.1 years	$0.25	187,500	$0.25
0.53	86,397	0.6 years	0.53	86,397	0.53
0.90-1.10	207,854	1.5 years	1.10	147,261	1.10
2.70-2.98	257,056	2.0 years	2.74	189,792	2.74
6.00-7.06	1,041,700	6.4 years	6.44	10,500	6.16
7.19	1,100,500	4.2 years	7.19	76,800	7.19
$7.91	75,000	4.1 years	$7.91	0	$0.00
	2,965,007			698,250	

	1998	1997	1996
Numerator:			
Net income (loss) (numerator for basic and diluted earnings (loss) per common share)	$(2,884,45[illegible])	$ 4,682,931	$ 4,093,924
Denominator:			
Denominator for basic earnings (loss) per common share-weighted average shares	9,886,000	9,600,000	9,446,000
Effect of employee stock options		1,173,000	1,266,000
Denominator for diluted earnings (loss) per common share	9,886,000	10,773,000	10,712,000
Basic earnings (loss) per common share	$ (0.29)	$ 0.49	$ 0.43
Diluted earnings (loss) per common share	$ (0.29)	$ 0.43	$ 0.38

10. Income Taxes

The provision (benefit) for income taxes consisted of the following:

	1998	1997	1996
Current:			
Federal	$ (218,000)	$2,660,000	$2,135,000
State		906,000	725,000
	(218,000)	3,566,000	2,860,000
Deferred tax benefit	(1,268,000)	(289,000)	(124,000)
	$(1,486,000)	$3,277,000	$2,736,000

Significant components of the Company's deferred tax liabilities and assets as of March 31, are as follows:

	1998	1997
Deferred tax assets:		
Depreciation	$ 64,000	$191,000
Accruals and allowances	1,751,000	445,000
Net operating state loss carryforward	96,000	
Total deferred tax asset	1,911,000	636,000
Deferred tax liability:		
Prepaid expenses	(38,000)	(31,000)
Cash surrender value of life insurance policy	(39,000)	(39,000)
Total deferred tax liability	(77,000)	(70,000)
Net deferred tax asset	$1,834,000	$566,000

The income tax expense is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The items causing this difference are as follows:

	1998	1997	1996
Tax at U.S. statutory rate	$(1,486,000)	$2,706,000	$2,322,000
State income taxes, net of federal benefit		552,000	466,000
Other		19,000	(52,000)
	$(1,486,000)	$3,277,000	$2,736,000

Income taxes paid in 1998, 1997 and 1996 amounted to $2,160,527, $3,319,000 and $3,163,000, respectively.

11. Supplemental Cash Flow Information

In March 1996, the Company received shares of common stock with an aggregate fair market value of $251,771 in lieu of cash for settlement of amounts due from an officer. These shares and the related amount were accounted for as treasury stock and were subsequently retired.

In September 1995, the Company received shares of common stock with an aggregate fair market value of $25,039 in lieu of cash for settlement of amount due from a non-employee of $24,000 plus accrued interest of $1,039. These shares and the related amount were accounted for as treasury stock and were subsequently retired.

During fiscal 1998 and 1996, and in connection with the exercise of employee stock options, the Company received shares of common stock with an aggregate fair market value of $271,072 and $52,315 in lieu of cash upon the exercise of these options. These shares and the related amount were accounted for as treasury stock and were subsequently retired.

These noncash transactions have been excluded from the statements of cash flows for the years ended March 31, 1998 and 1996.

12. Subsequent Events

In April 1998, the Company privately placed $12 million of Series A Convertible Preferred Stock (Series A Preferred Stock) and warrants to purchase Common Stock with Spectrum Equity Investors II, L.P. and other private investors. The Series A Preferred Stock may be redeemed at the option of the holders of a majority of the Series A Preferred Stock at any time on or after the earlier of (i) April 9, 2010 and (ii) the date 180 days after the maturity date of any debt financing consummated on or before October 9, 1998 yielding proceeds of at least $75 million. The Series A Preferred Stock is convertible into shares of Common Stock. On the date of issuance, the shares of Series A Preferred Stock were convertible into 1,333,333 shares of the Company's Common Stock, which conversion ratio is subject to certain adjustments. The warrants entitle the holder thereof to purchase one share of Common Stock at an exercise price of $9.00 per share. The warrants expire on April 10, 2003. See also Note 1.

13. Quarterly Information (Unaudited)

A summary of operating results and pro forma net income (loss) per share for the quarterly periods in the two years ended March 31, 1998 is set forth below:

	Quarter Ended				
	June 30	September 30	December 31	March 31	Total
Year ended March 31, 1998					
Total revenues	$11,658,954	$11,845,097	$11,155,646	$ 6,287,439	$40,947,136
Gross profit	9,216,118	9,132,848	8,215,645	343,960	26,908,571
Earnings (loss)	1,374,000	1,244,000	506,000	(6,008,450)	(2,884,450)
Earnings (loss) per common share—basic	$ 0.14	$ 0.13	$ 0.05	$ (0.60)	$ (0.29)
Earnings (loss) per common share—diluted	$ 0.13	$ 0.12	$ 0.05	$ (0.60)	$ (0.29)
Year ended March 31, 1997					
Total revenues	$ 9,007,461	$ 9,617,068	$10,193,787	$11,471,783	$40,290,099
Gross profit	7,325,606	7,463,843	7,932,162	8,859,366	31,580,977
Earnings	1,194,186	1,048,828	1,159,000	1,280,917	4,682,931
Earnings per common share—basic	$ 0.12	$ 0.11	$ 0.12	$ 0.13	$ 0.49
Earnings per common share—diluted	$ 0.11	$ 0.10	$ 0.11	$ 0.12	$ 0.43

Fiscal year 1997 and the first two quarters of fiscal year 1998 earnings per common share amounts have been restated to comply with Statement of Financial Accounting Standard No. 128, Earnings per Share.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

CTC COMMUNICATIONS CORP.

	Col. A	Col. B	Col. C	Col. D	Col. E
		Additions			
		(1)	(2)		
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts Describe	Deductions Describe	Balance at End of Period
Year ended March 31, 1998:					
Allowance for doubtful accounts........	$377,000	$1,421,109		$1,306,109 (a)	$492,000
Year ended March 31, 1997:					
Allowance for doubtful accounts........	$190,215	$ 316,669		$ 129,884 (a)	$377,000
Year ended March 31, 1996:					
Allowance for doubtful accounts........	$128,452	$ 61,763		$ 0	$190,215

(a) – Bad debts written off net of collections.

EXHIBIT INDEX

Number	Description of Exhibit
9.1	Voting Agreement dated April 10, 1998 among Robert Fabbricatore and certain of his affiliates and Spectrum
10.15	Employment Agreement between the Company and Steve Jones dated February 27, 1998
23.1	Consent of Ernst & Young LLP
27	Financial Data Schedule
99.1	Risk Factors

EXHIBIT 99.1

RISK FACTORS

Limited History as an ICP; Risks Relating to Implementation of New Strategy

Although the Company has sold integrated telecommunications services for over 14 years, it sold local telephone services as an agent for Bell Atlantic Corp. ("Bell Atlantic") until December 1997 and only began offering such services as an integrated communications provider ("ICP") under its own brand name after that time. As a result of the Company terminating its agency relationship with Bell Atlantic, agency revenues, which accounted for approximately 71% of the Company's revenues for the nine month period ended December 31, 1997 are no longer generated by the Company. For the fourth quarter ended March 31, 1998, agency revenues decreased from $8.4 million to $194,000 and total revenues decreased from $11.5 million to $6.2 million. There can be no assurance that the Company's prior experience in the sale of telecommunications services as a sales agent will result in the Company generating sufficient cash flow to service its debt obligations or to compete successfully under its new strategy.

The Company plans to deploy its own Integrated Communications Network ("ICN"). The Company has no experience in deploying, operating and maintaining a telecommunications network. The Company's ability to successfully deploy its ICN will require the negotiation of interconnection agreements with incumbent local exchange carriers ("ILECs"), which can take considerable time, effort and expense and which are subject to federal, state and local regulation. There can be no assurance that the Company will be able to successfully negotiate such agreements or to effectively deploy, operate or maintain its facilities or increase or maintain its cash flow from operations by deploying a network. Further, there can be no assurance that the packet-switched design of the network will provide the expected functionality in serving its target market or that customers will be willing to migrate the provision of their services onto the Company's network. The Company has engaged a network services integrator to design, engineer and manage the buildout of the ICN in the Company's existing markets. Any failure or inability by the network integrator to perform these functions could cause delays or additional costs in providing services to customers and building out the Company's ICN in specific markets. Any such failure could materially and adversely affect the Company's business and results of operations.

If the Company fails to effectively transition to an ICP platform, fails to obtain or retain a significant number of customers or is unable to effectively deploy, operate or maintain its network, such failure could have an adverse effect on the Company's business, results of operations and financial condition. In addition, the implementation of its new strategy and the deployment of its network has increased and will continue to increase the Company's expenses significantly. Accordingly, the Company expects to incur significant negative cash flow during the next several years as it implements its business strategy, penetrates its existing markets as an ICP, enters new markets, deploys its ICN and expands its service offerings. There can be no assurance that the Company will achieve and sustain profitability or positive net cash flow.

Capital Requirements and Uncertainty of Financing

The Company has obtained a commitment for an interim credit facility (the "Interim Facility") from its current lender. The Interim Facility, which would mature on June 30, 1999, would provide secured revolving loans of up to $20 million to refinance the Credit Facility, to fund capital expenditures and operating losses and for general corporate purposes. The commitment, which is subject to certain conditions, extends to September 30, 1998. To satisfy one of those conditions, the Company has received a commitment from Spectrum to purchase $5 million of Preferred Stock which extends until June 30, 1999. The Company believes that the Interim Facility and the Interim Spectrum Financing, if required, together with cash on hand would be sufficient to refinance the Company's existing credit facility and fund the Company's existing operations for at least the next 12 months. However, CTC would be required to delay its proposed geographic expansion and deployment of facilities or to obtain additional financing within the next 6 months.

The implementation of the Company's business plan to further penetrate its existing markets as an ICP, deploy the ICN in its existing markets, expand its sales presence into six additional states in the Boston-Washington D.C. corridor and enhance the CTC Information System and the repayment of the Credit Facility will require the Company to raise significant capital. The Company has been seeking and is actively engaged in the negotiation of commitments with alternative sources of long term financing to fund its business plans. Although the Company is highly optimistic that it will be successful in obtaining such financing based upon its negotiations, there can be no assurance that the Company will be able to consummate financing in the amount, on the terms and on the schedule required to implement the Company's business plan, if at all.

The timing and amount of the Company's actual capital requirements may be materially affected by many factors, including the timing and availability of financing, the timing and actual cost of expansion into new markets and deployment of the ICN, the extent of competition and pricing of telecommunications services in its markets, acceptance of the Company's services, technological change and potential acquisitions. Sources of funding the Company's capital requirements may include public offerings or private placements of equity or debt securities, vendor financing and bank loans. There can be no assurance that financing will be available to the Company or, if available, that it can be obtained on a timely basis and on terms acceptable to the Company. Failure to obtain financing when required could result in the delay or abandonment of the Company's business plans which could intern have a material adverse effect on the Company.

High Leverage; Possible Inability to Service Indebtedness

If the any of the proposed financings are consummated, the Company will be highly leveraged. The degree to which the Company is leveraged could have important consequences to the Company's future prospects, including the following: (i) limiting the ability of the Company to obtain any necessary financing in the future for working capital, capital expenditures, debt service requirements or other purposes; (ii) limiting the flexibility of the Company in planning for, or reacting to, changes in its business; (iii) leveraging the Company more highly than some of its competitors, which may place it at a competitive disadvantage; (iv) increasing its vulnerability in the event of a downturn in its business or the economy generally; and (v) requiring that a substantial portion of the Company's cash flow from operations be dedicated to the payment of principal and interest on the Notes and not be available for other purposes.

The Company's ability to make scheduled payments of principal of, or to pay the interest on, or to refinance, its indebtedness, or to fund planned capital expenditures will depend on its future performance, which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control. There can be no assurance that the Company's business will generate sufficient cash flow from operations or that anticipated revenue growth and operating improvements will be realized or will be sufficient to enable the Company to service its indebtedness, or to fund its other liquidity needs. There can be no assurance that the Company will be able to refinance all or a portion of its indebtedness on commercially reasonable terms or at all. If the Company does not generate sufficient cash flow to meet its debt service and working capital requirements, the Company may need to examine alternative strategies that may include actions such as reducing or delaying capital expenditures, restructuring or refinancing its indebtedness, the sale of assets or seeking additional equity and/or debt financing. There can be no assurance that any of these strategies could be effected on satisfactory terms, if at all.

Dependence on In-House Billing and Information System

The accurate and prompt billing of the Company's customers is essential to the Company's operations and future profitability. The Company's expected growth and deployment of its ICN could give rise to additional demands on the CTC Information System, and there can be no assurance that it will perform as expected. The failure of the Company to adequately identify all of its information and processing needs (including Year 2000 compliance), the failure of the CTC Information System or the failure of the Company to upgrade the CTC Information System as necessary could have a material adverse effect on the Company and its results of operations.

Dependence on Supplier Provided Timely and Accurate Call Date Records; Billing and Invoice Disputes

In its reseller business, the Company is dependent upon the timely receipt and accuracy of call data records provided to it by its suppliers. There can be no assurance that accurate information will consistently be provided by suppliers or that such information will be provided on a timely basis. Failure by suppliers to provide timely and accurate detail would increase the length of the Company's billing and collection cycles and adversely effect its operating results. The Company pays its suppliers according to the Company's calculation of the charges applicable to the Company based on supplier invoices and computer tape records of all such calls provided by suppliers which may not always reflect current rates and volumes. Accordingly, a supplier may consider the Company to be in arrears in its payments until the amount in dispute is resolved. There can be no assurance that disputes with suppliers will not arise or that such disputes will be resolved in a manner favorable to the Company. In addition, the Company is required to maintain sophisticated billing and reporting systems to service the large volume of services placed over its networks. As resale volumes increase, there can be no assurance that the Company's billing and management systems will be sufficient to provide the Company with accurate and efficient billing and order processing capabilities.

Dependence on Network Infrastructure and Products and Services of Others

The Company does not currently own any part of a local exchange or long distance network and depends entirely on facilities-based carriers for the transmission of customer traffic. After the deployment of the ICN, it will still rely, at least initially, on others for circuit switching of local voice calls and on fiber optic backbone transmission facilities. There can be no assurance that such switching or transmission facilities will be available to the Company on a timely basis or on terms acceptable to the Company. The Company's success in marketing its services requires that the Company provide superior reliability, capacity and service. Although the Company can exercise direct control of the customer care and support it provides, most of the services that it currently offers are provided by others. Such services are subject to physical damage, power loss, capacity limitations, software defects, breaches of security (by computer virus, break-ins or otherwise) and other factors, certain of which have caused, and will continue to cause, interruptions in service or reduced capacity for the Company's customers. Such problems, although not the result of failures by the Company, can result in dissatisfaction among its customers.

In addition, the Company's ability to provide complete telecommunications services to its customers will be dependent to a large extent upon the availability of telecommunications services from others on terms and conditions that are acceptable to the Company and its customers. There can be no assurance that government regulations will continue to mandate the availability of some or all of such services or that the quality or terms on which such services are available will be acceptable to the Company or its customers.

Customer Attrition

The Company's operating results may be significantly affected by its reseller customer attrition rates. There can be no assurance that customers will continue to purchase long distance or other services through the Company in the future or that the Company will not be subject to increased customer attrition rates. The Company believes that the high level of customer attrition in the industry is primarily a result of national advertising campaigns, telemarketing programs and customer incentives provided by major competitors. There can be no assurance that customer attrition rates will not increase in the future, which could have a material adverse effect on the Company's operating results.

Ability to Manage Growth; Rapid Expansion of Operations

The Company is pursuing a new business plan that, if successfully implemented, will result in rapid growth and expansion of its operations, which will place significant additional demands upon the Company's current management. If this growth is achieved, the Company's success will depend, in part, on its ability to manage this growth and enhance its information, management, operational and financial systems. There can be no assurance that the Company will be able to manage expanding its operations. The Company's failure to manage growth effectively could have a material adverse effect on the Company's business, operating results and financial condition.

Potential Impact of the Bell Atlantic Litigation and the TRO

In December 1997, the Company filed suit against Bell Atlantic for breaches of its agency contract, including the failure of Bell Atlantic's retail division to pay $14 million in agency commissions (approximately $11.3 million as of July 10, 1998) owed to the Company. The Company intends to pursue this suit vigorously. Although the Company believes the collection of the agency commissions sought in the suit is probable, there can be no assurance that the Company will be successful in collecting these commissions. If the Company fails to collect any of the amounts sought or if their collection becomes less than probable, the Company would be required to write off the amounts reflected in its financial statements that it is unable to collect or for which collection becomes less than probable. Delay in the collection or write-off of the agency commissions sought may adversely affect the Company.

In the Company's litigation against Bell Atlantic, Bell Atlantic obtained a temporary restraining order (the "TRO") prohibiting the Company until December 30, 1998 from marketing certain local telecommunications services to any Bell Atlantic customer for whom the Company was responsible for account management, or to whom the Company sold Bell Atlantic services, during 1997. Although the Company is seeking to have the TRO modified or dissolved, there is no assurance that it will be successful and the Company's sale of local service to such customer sites could be prohibited until December 30, 1998. The inability of the Company to sell local telephony services to such customers until such date may continue to adversely affect the Company's business. In addition, the Company must use Bell Atlantic infrastructure for nearly all of the local telephony services that it currently provides and, although Bell Atlantic is prohibited by federal law from discriminating against the Company, there can be no assurance that the litigation with Bell Atlantic will not negatively affect the Company's relationships with Bell Atlantic's wholesale division.

Dependence on Key Personnel

The Company believes that its continued success will depend to a significant extent upon the abilities and continued efforts of its management, particularly members of its senior management team. The loss of the services of any of such individuals could have a material adverse effect on the Company's results of operations. The success of the Company will also depend, in part, upon the Company's ability to identify, hire and retain additional key management as well as highly skilled and qualified sales, service and technical personnel. Competition for qualified personnel in the telecommunications industry is intense, and there can be no assurance that the Company will be able to attract and retain additional employees and retain its current key employees. The inability to hire and retain such personnel could have a material adverse effect on the Company's business.

Competition

The Company operates in a highly competitive environment and has no significant market share in any market in which it operates. The Company expects that it will face substantial and growing competition from a variety of data transport, data networking and telephony service providers due to regulatory changes, including the continued implementation of the Telecommunications Act of 1996 (the "Telecommunications Act"), and the increase in the size, resources and number of such participants as well as a continuing trend toward business combinations and alliances in the industry. The Company faces competition for the provision of integrated telecommunications services as well as competition in each of the individual market segments that comprise the Company's integrated approach. In each of these market segments, the Company faces competition from larger, better capitalized incumbent providers, which have long standing relationships with their customers and greater name recognition than the Company.

Regulation

The Company's local and long distance telephony service, and to a lesser extent its data services, are subject to federal, state, and, to some extent, local regulation.

The Federal Communications Commission (the "FCC") exercises jurisdiction over all telecommunications common carriers, including the Company, to the extent that they provide interstate or international communications. Each state regulatory commission retains jurisdiction over the same carriers with respect to the provision of intrastate communications. Local governments sometimes impose franchise or licensing requirements on telecommunications carriers and regulate construction activities involving public right-of-way. Changes to the regulations imposed by any of these regulators could affect the Company.

While the Company believes that the current trend toward relaxed regulatory oversight and competition will benefit the Company, the Company cannot predict the manner in which all aspects of the Telecommunications Act will be implemented by the FCC and by state regulators or the impact that such regulation will have on its business. The Company is subject to FCC and state proceedings, rulemakings, and regulations, and judicial appeal of such proceedings, rulemaking and regulations, which address, among other things, access charges, fees for universal service contributions, ILEC resale obligations, wholesale rates, and prices and terms of interconnection and unbundling. The outcome of these rulemakings, judicial appeals, and subsequent FCC or state actions may make it more difficult or expensive for the Company or its competitors to do business. Such developments could have a material effect on the Company. The Company also cannot predict whether other regulatory decisions and changes will enhance or lessen the competitiveness of the Company relative to other providers of the products and services offered by the Company. In addition, the Company cannot predict what other costs or requirements might be imposed on the Company by state or local governmental authorities and whether or not any additional costs or requirements will have a material adverse effect on the Company.

Risks Associated With Possible Acquisitions

As it expands, the Company may pursue strategic acquisitions. Acquisitions commonly involve certain risks, including, among others: difficulties in assimilating the acquired operations and personnel; potential disruption of the Company's ongoing business and diversion of resources and management time; possible inability of management to maintain uniform standards, controls, procedures and policies; entering markets or businesses in which the Company has little or no direct prior experience; and potential impairment of relationships with employees or customers as a result of changes in management. There can be no assurance that any acquisition will be made, that the Company will be able to obtain any additional financing needed to finance such acquisitions and, if any acquisitions are so made, that the acquired business will be successfully integrated into the Company's operations or that the acquired business will perform as expected. The Company has no definitive agreement with respect to any acquisition, although from time to time it has discussions with other companies and assesses opportunities on an ongoing basis.

Year 2000 Compliance

The Company has assessed its systems and expects all of them to be year 2000 compliant by the end of 1998. However, there can be no assurance that all systems will function adequately until the occurrence of year 2000. In addition, if the systems of other companies on whose services the Company depends or with whom the Company's systems interface are not year 2000 compliant, there could be a material adverse effect on the Company.

Control By Principal Shareholders; Voting Agreement

As of July 10, 1998, the officers and directors and parties affiliated with or related to such officers and directors controlled approximately 48.5% of the outstanding voting power of the Common Stock. Robert J. Fabbricatore, the Chairman and Chief Executive Officer of the Company, beneficially owns approximately 27.5% of the outstanding shares of Common Stock. Consequently, the officers and directors will have the ability to exert significant influence over the election of all the members of the Company's Board, and the outcome of all corporate actions requiring stockholder approval. In addition, Mr. Fabbricatore has agreed to vote the shares beneficially owned by him in favor of the election to the Company's Board of Directors of up to two persons designated by the holders of a majority of the Series A Convertible Preferred Stock.

Impact Of Technological Change

The telecommunications industry has been characterized by rapid technological change, frequent new service introductions and evolving industry standards. The Company believes that its long-term success will increasingly depend on its ability to offer integrated telecommunications services that exploit advanced technologies and anticipate or adapt to evolving industry standards. There can be no assurance that (i) the Company will be able to offer new services required by its customers, (ii) the Company's services will not be economically or technically outmoded by current or future competitive technologies, (iii) the Company will have sufficient resources to develop or acquire new technologies or introduce new services capable of competing with future technologies or service offerings (iv) all or part of the ICN or the CTC Information System will not be rendered obsolete, (v) the cost of the ICN will decline as rapidly as that of competitive alternatives, or (vi) lower retail rates for telecommunications services will not result from technological change. In addition, increases in technological capabilities or efficiencies could create an incentive for more entities to become facilities-based ICPs. Although the effect of technological change on the future business of the Company cannot be predicted, it could have a material adverse effect on the Company's business, results of operations and financial condition.

Possible Volatility Of Stock Price

The stock market historically has experienced volatility which has affected the market price of securities of many companies and which has sometimes been unrelated to the operating performance of such companies. In addition, factors such as announcements of developments related to the Company's business, or that of its competitors, its industry group or its customers, fluctuations in the Company's results of operations, a shortfall in results of operations compared to analysts' expectations and changes in analysts' recommendations or projections, sales of substantial amounts of securities of the Company into the marketplace, regulatory developments affecting the telecommunications industry or data services or general conditions in the telecommunications industry or the worldwide economy, could cause the market price of the Common Stock to fluctuate substantially.

Absence Of Dividends

The Company has not paid and does not anticipate paying any cash dividends on its Common Stock in the foreseeable future. The Company intends to retain its earnings, if any, for use in the Company's growth and ongoing operations. In addition, the terms of the Series A Convertible Preferred Stock restrict, and the terms of future debt financings are expected to restrict, the ability of the Company to pay dividends on the Common Stock.

Potential Effect Of Anti-takeover Provisions And Issuances Of Preferred Stock

Certain provisions of the Company's Articles of Organization and Bylaws and the Massachusetts Business Corporation Law may have the effect of delaying, deterring or preventing a change in control of the Company or preventing the removal of incumbent directors. The existence of these provisions may have a negative impact on the price of the Common Stock and may discourage third party bidders from making a bid for the Company or may reduce any premiums paid to stockholders for their Common Stock. In addition, the Company's Board of Directors has the authority without action by the Company's stockholders to issue shares of the Company's Preferred Stock and to fix the rights, privileges and preferences of such stock, which may have the effect of delaying, deterring or preventing a change in control. Certain provisions of the Company's outstanding Series A Convertible Preferred Stock which provide for payment of the liquidation preference in cash upon the consummation of certain transactions may have the effect of discouraging third parties from entering into such transactions.

EXHIBIT 6

CTC's management and operations personnel have substantial expertise in the provision of interexchange services. A summary of the professional backgrounds of CTC's managerial and operational personnel is attached to this exhibit. The CTC employee who will have primary responsibility for overseeing CTC's day-to-day operations in Florida is Pamela L. Hintz, CTC's Director of Regulatory and Tariff Compliance. Ms. Hintz's resume detailing her professional experience in the telecommunications industry also is attached.

MANAGEMENT AND OPERATIONS PERSONNEL

ROBERT J. FABBRICATORE
Chairman, Chief Executive Officer, Director

Robert J .Fabbricatore, a founder of the Company and a Director since its inception in 1980, became Chairman of the Board of Directors in March 1983 and served as President from October 1993 to August 1995. In 1980, Mr. Fabbricatore also founded Comm-Tract Corp., a leading supplier of open, integrated network solutions, for which Mr. Fabbricatore currently serves as the Chairman of the Board. An entrepreneur, Mr. Fabbricatore experience includes the founding of two data network development companies in the 1970's and independent consulting work for local telephone companies. Mr. Fabbricatore is a graduate of Saint Francis College in New York.

STEVEN P. MILTON
President, Chief Operating Officer

Steven P. Milton has been employed by CTC since 1984 and has served as President and Chief Operating Officer since August 1995. Prior to that, Mr. Milton held various positions within the Company including Branch Manager, District Manager, Regional Manager and, most recently, Vice President-Sales and Marketing. Prior to joining CTC, Mr. Milton's spent four years in sales with Metropolitan Life Insurance Company. He also has three years of clinical experience in human relations and counseling. Mr. Milton is a graduate of Barrington College in Rhode Island.

STEVEN C. JONES
Executive Vice President, Chief Financial Officer

Steven C. Jones joined CTC in early 1998 and has served as an Executive Vice President and Chief Financial Officer since April 1998. From 1994 to April 1998, Mr. Jones was a specialist in the telecommunications investment banking division of Merrill Lynch & Co., most recently as a Vice President. From 1991 to 1994, Mr. Jones was an Associate at BT Securities Corp. Mr. Jones holds an MBA from the Wharton School, University of Pennsylvania and a Bachelors of Science degree in Computer Engineering from The University of Michigan.

JOHN D. PITTENGER
Executive Vice President-Finance and Administration,
Treasurer and Clerk

John D. Pittenger has served as Executive Vice President-Finance and Administration since April 1998 and as Treasurer and Clerk of the Company since August 1989. Mr. Pittenger served as Vice President-Finance from 1991 until April 1998, and as Chief Financial Officer from 1989 to April 1998. Mr. Pittenger holds an MBA from Babson College Graduate School of Business and an undergraduate degree from Dartmouth College.

DAVID E. MAHAN
Vice President-Marketing and Strategic Planning

David E. Mahan joined CTC in October 1995 as Vice President-Market Planning and Development and in June 1996 became an executive officer of the Company. Prior to joining the Company, Mr. Mahan held a number of senior management level positions with NYNEX, most recently as Vice President-Sales Channel Management from 1993 - 1995. Mr. Mahan holds an MBA from Columbia University Graduate School of Business and an undergraduate degree from the University of Massachusetts.

MICHAEL H. DONNELLAN
Vice President-Operations

Michael H. Donnellan has been employed by CTC since 1988 in a number of positions. He was named Vice President Operations in 1995 and became an executive officer of the Company in October, 1997. His current responsibilities include the development of the Company's Information Systems, as well as the Company's operations and customer service support systems. Mr. Donnellan's twenty (20) plus years of experience in the telecom industry includes tenures with New England Telephone and AT&T in various sales, operations and management positions. Mr. Donnellan is a graduate of Saint Anselm College in New Hampshire.

THOMAS FABBRICATORE
Vice President-Regulatory and Electronic Media

Mr. Fabbricatore is responsible for the overall regulatory objectives of the Company as well as the design of the company's data services network, its computerized bill format and all other electronic media. Thomas Fabbricatore joined CTC in 1982. He was named Vice President-Regulatory and Electric Media in 1991 and became an executive officer of the Company in October, 1997. Prior to joining CTC, Mr. Fabbricatore was employed as the Northeast Regional Sales Executive for TIE Communications, a leading manufacturer of key and hybrid phone systems. Mr. Fabbricatore is a graduate of the University of Florida.

ANTHONY D. VERMETTE
Vice President-Sales

Anthony D. Vermette has been employed by CTC in a variety of positions since 1987. Mr. Vermette was named Vice President-Sales in 1996 and became an executive officer in October, 1997. Mr. Vermette came to CTC with over six (6) years of engineering and technical sales experience in the telecom field.

JORDAN MICHAEL, ESQ.
Director of Regulatory Affairs

Serving in the capacity of Director of Regulatory Affairs for CTC, Mr. Michael is responsible for the Company's participation in various state and federal regulatory proceedings which directly impact the Company's operating objectives. Prior to joining CTC, Mr. Michael worked for the Massachusetts Department of Telecommunications and Energy in the capacity of Telecommunications Analyst. Mr. Michael received his undergraduate degree from the University of Massachusetts and his law degree from the New England School of Law. Mr. Michael passed the Massachusetts Bar Exam in December 1997.

PAMELA HINTZ
Director of Regulatory and Tariff Compliance

As Director of Regulatory and Tariff Compliance, Ms. Hintz is responsible for obtaining all necessary certifications and authorizations required for the company's entrance into the local and long distance markets. It is also her responsibilities to ensure that the Company's day-to-day business operations are in compliance with state and federal regulations. Prior to joining CTC Ms. Hintz was employed by RCN Telecom Services, where she served in a similar capacity. Ms. Hintz successfully coordinated long distance certifications for her previous employer in the forty-eight continental U.S. states and competitive local exchange certifications in thirteen (13) states along the northeast corridor.

EXHIBIT 7

As a reseller of interexchange services provided by its underlying carriers such as IXC Communications Inc. and Frontier Communications International, Inc., CTC will rely on the technical capabilities of its underlying carriers. However, as demonstrated by Exhibit 6 and the attachments thereto, CTC and its managerial and operational personnel also have substantial experience in providing interexchange services.

EXHIBIT 8

TITLE SHEET

FLORIDA TELECOMMUNICATIONS TARIFF

This tariff includes the rates, charges, terms and conditions of service for the provision of intrastate interexchange telecommunications services by CTC Communications Corp. (CTC), with principal offices at 360 Second Avenue, Waltham, Massachusetts 02451. This tariff applies for services furnished within the State of Florida. This tariff is on file with the Florida Public Service Commission (Commission). Copies may be inspected during normal business hours at the Company's principal place of business.

By: Michael Donnellen
Vice President
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CHECK SHEET

The Title Sheet and sheets 1 through 35, inclusive, of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this page.

SHEET	REVISION

All Pages Original

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Vice President
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EXPLANATION OF SYMBOLS

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

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TARIFF FORMAT

A. Sheet Numbering - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.

B. Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the Commission. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the Commission follows in their tariff approval process, the most current sheet number on file with the Commission is not always the tariff page in effect. Consult the Check Sheet for the sheet currently in effect.

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

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

TARIFF FORMAT (cont'd)

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

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SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

Authorized User - A person, firm, corporation or other entity who is authorized by the Subscriber to be connected to the service of the Subscriber under the terms and regulations of this tariff.

Carrier - Used throughout this tariff to refer to CTC Communications Corp. unless otherwise clearly indicated by the context.

Commission - The Florida Public Service Commission.

Company - Used throughout this tariff to refer to CTC Communications Corp., the issuer of this Tariff, unless otherwise clearly indicated by the context.

CTC - Refers to CTC Communications Corp., the issuer of this Tariff.

Customer - Any person, firm, partnership, corporation, or other entity which uses telecommunications services under the provisions and regulations of this tariff and is responsible for payment of charges. The Customer is also a Subscriber when the Customer orders services on behalf of him/herself.

Dedicated Access Origination/Termination - Where access between the Customer and the interexchange carrier is provided on dedicated circuits. The cost of these dedicated circuits is either billed by the access provider directly to the Customer or End User or billed to CTC, who in turn, passes such charges through to the Customer or End User.

End User - Any person, firm, corporation, partnership or other entity which uses the services of the Carrier under the provisions and regulations of this tariff. The End User is responsible for payment unless the charges for the services utilized are accepted and paid by another Customer.

Marks - A collective term to mean such items as trademarks, service marks, trade names and logos; copyrighted words, artwork designs, pictures or images; or any other device or merchandise to which legal rights or ownership are held or reserved by an entity.

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS (cont'd)

Personal Account Code - A numeric or alpha-numeric sequence unique to each Travel Card.

Serving Wire Center - A specified geographic point from which the vertical and horizontal coordinate is used in calculation of airline mileage.

Subscriber - The person, firm, Customer, corporation or other entity that arranges for the Carrier to provide, discontinue or rearrange telecommunications services on behalf of itself or others under the provisions and terms of this tariff. Also see Customer.

Switched Access Origination/Termination - Where access between the customer and the interexchange carrier is provided on local exchange company Feature Group circuits and the connection to the customer is a LEC-provided business or residential access line.

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SECTION 2 - REGULATIONS

2.1 Undertaking of CTC

CTC's services and facilities are furnished for communications between locations within the State of Florida under the terms of this tariff. The Company's services and facilities are available twenty-four (24) hours per day, seven (7) days per week. CTC arranges for installation, operation, and maintenance of the communications services provided in this tariff for Customers in accordance with the terms and conditions set forth under this tariff. The rates and regulations contained in this tariff do not apply, unless otherwise specified, to the lines, facilities or services provided by a local exchange telephone company or other access provider for use in accessing the services of the Company.

2.2 Limitations

2.2.1 Service is offered subject to the availability of the necessary facilities and equipment, and is subject to the provisions of this tariff.

2.2.2 CTC reserves the right to discontinue or limit service when necessitated by conditions beyond its control, or when the Customer is using service in violation of provisions of this tariff or the law.

2.2.3 The Company does not undertake to transmit messages, but offers the use of its facilities when available, and will not be liable for errors in transmission or for failure to establish connections.

2.2.4 The Company reserves the right to discontinue service, limit service, or to impose requirements on Customers or Subscribers as required to meet changing regulatory or statutory rules and standards, or when such rules and standards have an adverse material affect on the business or economic feasibility of providing service, as determined by CTC in its reasonable judgment.

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SECTION 2 - REGULATIONS (cont'd)

2.3 Assignment or Transfer

Customers may not transfer or assign the use of service or facilities without the express written consent of the Company. Such transfer or assignment shall only apply where there is no interruption of the use or location of the service or facilities. Prior written permission from the Company is required before any assignment or transfer. All regulations and conditions contained in this tariff shall apply to all such permitted assignees or transferees, as well as all conditions of service.

2.4 Use

Services provided under this tariff may be used for any lawful purpose for which the service is technically suited. The use of the Company's services without payment for service, as well as any attempt to avoid payment or to shift payment obligations to another person without that person's authorization, whether by fraudulent means, schemes, invalid numbers or otherwise, is prohibited.

2.5 Liabilities of the Company

2.5.1 The liability of the Company for any claim or loss, expense or damage (including indirect, special, or consequential damage) for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff shall not exceed an amount equivalent to the proportionate charges to the Customer for the period of service or the facility provided during which such interruption, delay, error, omission, or defect occurs.

SECTION 2 - REGULATIONS (cont'd)

2.5 Liabilities of the Company (cont'd)

2.5.2 The Company shall not be liable for any claim or loss, expense, or damage (including indirect, special, or consequential damage), for any interruption, delay, error, omission, or other defect in any service facility, or transmission provided under this tariff, if caused by any person or entity other than the Company, by any malfunction of any service or facility provided by any other carrier, by any act of God, fire, war, civil disturbance, or act of government, or by any other cause beyond the Company's direct control.

2.5.3 The Company shall not be liable for, and shall be fully indemnified and held harmless by Customer and Subscriber against any claim or loss, expense, or damage, (i) for defamation, invasion of privacy, infringement of copyright or patent, unauthorized use of any trademark, trade name, or service mark, unfair competition, interference with or misappropriation or violation of any contract, proprietary or creative right, or any other injury to any person, property, or entity arising from the material data, information, or content revealed to, transmitted, processed, handled, or used by Company under this tariff, or (ii) for connecting, combining, or adapting Company's facilities with Customer's or Subscriber's apparatus or systems, or (iii) for any act or omission of the Customer or Subscriber, or (iv) for any personal injury or death of any person, or for any loss of or damage to Subscriber's or Customer's premises or any other property, whether owned by Customer, Subscriber or others, caused directly or indirectly by the installation, maintenance, location, condition, operation, failure or removal of equipment or wiring provided by the Company if not directly caused by negligence of the Company.

2.5.4 CTC shall not be liable for any claim, loss, or refund as a result of loss, theft or unauthorized use of Travel Cards or Personal Account codes issued for use with the Company's services.

SECTION 2 - REGULATIONS (cont'd)

2.6 Use of Recording Devices

Customers and Authorized Users who use recording devices do so at their own risk. A Customer or Authorized User may only use a recording device if the Customer or Authorized User complies with the requirements of this section and only if the Customer or Authorized User is able to connect or disconnect the recording device, or turn the recording device on or off, at will.

2.6.1 A Customer or Authorized User may record a conversation if the Customer or Authorized User obtains written or verbal consent to the recording of all parties to the conversation prior to or at the beginning of the conversation.

2.6.2 A distinctive recorder tone must be repeated at intervals of approximately fifteen (15) seconds to alert all parties to the conversation that a recording device is being used.

2.6.3 The requirements of 2.6.1 and 2.6.2 are waived for Broadcast licensees who use a recording device to record a conversation for broadcast if all parties to the conversation are aware that the conversation will be broadcast.

2.7 Taxes, Surcharges and Utility Fees

All state and local taxes, including but not limited to gross receipts taxes, sales taxes, and municipal utilities taxes, or associated surcharges, are listed as separate line items and are not included in the rates listed in this tariff for postpaid services.

SECTION 2 - REGULATIONS (cont'd)

2.8 Payment for Service

2.8.1 The Customer is responsible for payment of all charges for services and equipment furnished to the Customer or to an Authorized User of the Customer by CTC. All charges due by the Customer are payable to the Company or to the Company's authorized billing agent. Any objections to billed charges must be reported to the Company or its billing agent within two (2) months after receipt of bill. Adjustments to Customer's bills shall be made to the extent that circumstances exist which reasonably indicate that such changes are appropriate. The Customer will receive credit for any uncompleted calls or wrong numbers.

2.8.2 Customer bills for telephone service are due upon receipt, unless otherwise specified by this tariff or by contract. A Customer is in default unless payment is made on or before the due date specified on the bill.

2.8.3 If payment is not made within thirty (30) days of the date of the bill, a late payment charge assessed at a rate not to exceed eighteen percent (18%) per year will be applied to all amounts previously billed under this company's tariff(s), including arrears and unpaid late payment charges.

2.8.4 In the event that the Company incurs fees or expenses, including attorney's fees, collecting, or attempting to collect, any charges owed to the Company, the Company may charge the Customer all such fees and expenses reasonably incurred.

SECTION 2 - REGULATIONS (cont'd)

2.8 Payment for Service (cont'd)

2.8.5 The Company reserves the right to assess a return-check charge of up to $20.00, or 5% of the amount of the check, whichever is greater, whenever a check or draft presented for payment of service is not accepted by the institution on which it is written. This charge applies each time a check is returned to CTC by a bank for insufficient funds.

2.8.6 The Customer shall be responsible for all calls placed by or through Customer's equipment by any person, including all charges placed against Personal Account Codes. Customers are responsible for the security and usage of all Personal Account Codes. The Customer is responsible for all calls placed via their Personal Account Code as a result of the Customer's intentional or negligent disclosure of the authorization code. Customers claiming that five (5) or more calls on any one statement were unauthorized may be required to accept a Travel Card number change issued by CTC.

2.8.7 Customer questions, complaints and disputes regarding billing or service provided by the Company may be referred to CTC's customer service department in writing at 360 Second Avenue, Waltham, Massachusetts 02154 or by telephone at 1-800-883-6300.

2.9 Deposits

Deposits may be required from commercial Customers or potential commercial Customers whose credit or payment history is unsatisfactory or unknown to the Company.

SECTION 2 - REGULATIONS (cont'd)

2.10 Advance Payments

The Company does not intend to ask for an advance payment from a Customer. Monthly recurring charges may be billed to the Customer one (1) month in advance.

2.11 Interconnection with Other Carriers

Service furnished by CTC may be connected with the services or facilities of other carriers. Such services or facilities, if used, are provided under the terms, rates and conditions of the other carrier. The Customer or Subscriber is responsible for all charges billed by other carriers for use in connection with CTC's service. Any special interface equipment or facilities necessary to achieve compatibility between carriers is the responsibility of the Customer or Subscriber.

2.12 Refusal or Discontinuance by Company

CTC may refuse or discontinue service for non-compliance with and/or violation of any Federal, State or municipal law, ordinance or regulation pertaining to telephone service. Service may also be discontinued or refused for the following conditions:

2.12.1 For neglect or refusal to provide reasonable access to the Company for the purpose of inspection and maintenance of equipment owned by the Company.

2.12.2 For non-compliance with and/or violation of the Commission's regulations or the Company's rules and regulations.

2.12.3 For non-payment of bills for telephone service thirty (30) days past due, provided that five (5) days written notice is given to the Customer.

SECTION 2 - REGULATIONS (cont'd)

2.12 Refusal or Discontinuance by Company (cont'd)

2.12.4 Without notice in the event of Customer use of equipment in such a manner as to adversely affect the Company's equipment or the Company's service to others.

2.12.5 Without notice in the event of tampering with the equipment furnished and owned by the Company.

2.12.6 Without notice in the event of unauthorized or fraudulent use of service. Whenever service is discontinued for fraudulent use of service, the Company may, before restoring service, require the Customer to make, at his or her own expense, all changes in facilities or equipment necessary to eliminate illegal use and to pay an amount reasonably estimated as the loss in revenues resulting from such fraudulent use.

2.12.7 When necessary for the Company to comply with any order or request of any governmental authority having jurisdiction.

2.12.8 CTC may temporarily suspend service without notice to the Customer, by blocking traffic to certain cities or NXX exchanges, or by blocking calls using certain Personal Account Codes when the Company deems it necessary to take such action to prevent unlawful use of its service. CTC will restore services as soon as service can be provided without undue risk.

Cancellation of service by the Company shall be consistent in all respects with Chapter 25-24 of the Commission's rules.

SECTION 2 - REGULATIONS (cont'd)

2.13 Inspection, Testing and Adjustment

Upon reasonable notice, the services provided by the Company shall be made available to the Company for tests and adjustments as may be deemed necessary by the Company for maintenance. No interruption allowance will be granted for the time during which such tests and adjustments are made when the interruption is less than twenty-four (24) consecutive hours.

2.14 Interruption of Service

Credit allowances for interruptions of service which are not due to the Company's testing or adjusting, to the negligence of the Customer, or to the failure of channels, equipment or communications systems provided by the Customer, are subject to the general liability provisions set forth in Section 2.5 herein. It shall be the obligation of the Customer to notify the company immediately of any interruption in service for which a credit allowance is desired by Customer. Before giving such notice, the Customer shall ascertain that the trouble is not within his or her control, or is not in wiring or equipment, if any, furnished by Customer and connected to Company's terminal. Interruptions caused by Customer-provided or Company-provided automatic dialing equipment are not deemed an interruption of service as defined in this tariff since the Customer has the option of using the long distance network via local exchange company access.

SECTION 2- REGULATIONS (cont'd)

2.15 Cancellation of Service

No charge applies when the applicant cancels an application for service prior to the start of installation or special construction.

When an applicant cancels an application for service after the start of installation or special construction, the applicant shall pay a cancellation fee which is the lesser of 1) the costs incurred by the Carrier, or 2) the charge for the minimum period of the service ordered, plus applicable installation charges.

Customers of CTC not receiving service pursuant to a term agreement may cancel service by providing thirty (30) days written notice to CTC. Customers are responsible for all charges, including fixed fees, which accrue up to the cancellation date.

2.16 Minimum Service Period

Unless otherwise stated, the minimum service period for all services is thirty (30) days.

2.17 Reservation of 800 Numbers

The Company will make every effort to reserve "800" vanity numbers on behalf of customers, but makes no guarantee or warrantee that the requested "800" number(s) will be available or assigned to the customer requesting the number.

2.18 800 Number Portability

If a Customer accumulates undisputed delinquent charges, the Company reserves the right not to honor that Customer's request for a change in service, including a request for Resp. Org. change, until such charges are paid in full.

SECTION 2- REGULATIONS (cont'd)

2.19 Company Toll Free Number

The Company's toll free number for customers inquiries and service is: 1-800-883-6300.

SECTION 3 - DESCRIPTION OF SERVICES

3.1 General

3.1.1 Calls are billed individually and on a monthly basis. Usage is billed in arrears. Intrastate services are offered in conjunction with interstate and international services. Billing for calls placed over the Company's network is based in part on the duration of the call. Timing of each call begins when the Called Station is answered (i.e. when two-way communications, sometimes referred as conversation time is possible), as determined by standard industry methods generally in use for ascertaining answer, including hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection or other methods. Timing of each call ends when either the Called or the Calling Station hangs up.

3.1.2 The minimum call duration for billing purposes is as specified for the subscribed service.

3.1.3 For billing purposes, usage is measured and rounded to the next highest billing increment as specified for subscribed services.

3.1.4 There is no billing for incomplete calls.

3.2 Computation of Mileage

Airline mileage, where mileage is the basis for rating calls, is obtained by using the "V" and "H" coordinates assigned to each point and contained in NECA FCC Tariff No. 4. To determine the airline distance between any locations, proceed as follows:

(i) Obtain the "V" and "H" coordinates for each location. The "V" coordinate is the first four digits in the "VH" column. The "H" coordinate is the next four digits.

(ii) Obtain the difference between the "V" coordinates of each of the locations. Obtain the difference between the "H" coordinates.

SECTION 3 - DESCRIPTION OF SERVICES (cont'd)

3.2 Computation of Mileage (cont'd)

(iii) Square each difference obtained in step (ii) above.

(iv) Add the square of the "V" difference and the "H" difference obtained in step (iii) above.

(v) Divide the sum of the square by 10. Round to the next higher whole number if any fraction is obtained.

(vi) Obtain the square root of the whole number result obtained above. Round to the next higher whole number if any fraction is obtained. This is the airline mileage.

3.3 Recognized Holidays

Company recognizes the following holidays for the purposes of discounting usage rates in certain cases: Christmas Day (December 25), New Year's Day (January 1), Independence Day (July 4) and Thanksgiving Day.

3.4 Service Descriptions

CTC offers two (2) different calling plans for switched and/or dedicated outbound and inbound services. The plans use different underlying carriers and have different rates for international, interstate and intrastate rates. Customers should evaluate each plan, including the applicable international and interstate rates, to determine which of the two (2) plans best suits their calling patterns.

By: Michael Donnellen
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Waltham, Massachusetts 02451

SECTION 3 - DESCRIPTION OF SERVICES (cont'd)

3.4 Service Descriptions (cont'd)

3.4.1 Switched Outbound Service

Switched Outbound Service is designed for outbound calling. Calls are billed in six (6) second increments. The minimum call duration for billing purposes is six (6) seconds. No minimum commitment is required. Calls originate from Customer-provided standard business or residential switched access lines. The Company offers two (2) plans for switched outbound services developed. In addition, customers subscribing to Plan 1 or 2 under a term agreement with the Company receive a ten percent (10%) discount off the Company's standard rates.

3.4.2 CTC Switched Inbound Service

CTC Switched Inbound Service is available for incoming calls to business and residential Subscribers with no minimum usage billing. Calls originate from any intrastate location over an 800 number and terminate to a Customer-provided residential or business switched access line. Call charges are billed to the Subscriber rather than to the originating caller. Calls are billed in six (6) second increments. The minimum call duration for billing purposes is thirty (30) seconds. The Company offers two (2) plans for switched inbound services. In addition, customers subscribing to Plan 1 or 2 under a term agreement with the Company receive a ten percent (10%) discount off the Company's standard rates.

SECTION 3 - DESCRIPTION OF SERVICES (cont'd)

3.4 Service Descriptions (cont'd)

3.4.3 CTC Dedicated Outbound Service

CTC Dedicated Outbound Service is available to Subscribers for outbound calling. Calls originate from dedicated T-1 access lines, which are either obtained by the Customer from a third party access provider or by CTC on behalf of the Customer, in which case CTC will pass through to the Customer the cost of such dedicated circuits. Calls are billed in six (6) second increments with a minimum call duration for billing purposes of six (6) seconds. No minimum commitment is required. The Company offers two (2) plans for dedicated outbound services. In addition, customers subscribing to Plan 1 or 2 under a term agreement with the Company receive a ten percent (10%) discount off the Company's standard rates.

3.4.4 CTC Dedicated Inbound Service

CTC Dedicated Inbound Service is available to Subscribers for incoming calls. Calls originate from any intrastate location over an 800 number and terminate to a dedicated T-1 access line, which are either obtained by the Customer from a third party access provider or by CTC on behalf of the Customer, in which case CTC will pass through to the Customer the cost of such dedicated circuits. Call charges are billed to the Subscriber rather than to the originating caller. Calls are billed in six (6) second increments with a minimum call duration for billing purposes of thirty (30) seconds. The Company offers two (2) plans for dedicated inbound services. In addition, customers subscribing to Plan 1 or 2 under a term agreement with the Company receive a ten percent (10%) discount off the Company's standard rates.

SECTION 3 - DESCRIPTION OF SERVICES (cont'd)

3.4 Service Descriptions (cont'd)

3.4.5 CTC Travel Card Service

CTC Travel Card Service is a travel card service available to residential and business Subscribers for placing calls while away from home or office. Calls are originated by dialing an access number, followed by an account identification number and personal identification number. Calls may originate from standard residential, business or pay telephone access lines and may terminate to any intrastate location. Calls are billed in one (1) minute increments with a minimum call duration for billing purposes of one (1) minute.

3.4.6 Directory Assistance

Directory Assistance is available to Customers of CTC Switched Network Service, and Travel Card Service. Directory Assistance charge applies to each call to the Directory Assistance Bureau. Up to two (2) requests may be made on each call to Directory Assistance. The Directory Assistance charge applies to each call regardless of whether the Directory Assistance Bureau is able to furnish the requested telephone number.

SECTION 4 - RATES

4.1 General

Each Customer is charged individually for each call placed through the Company. Charges may vary by service offering, class of call, call duration. Customers are billed based on their use of CTC's long distance service. A fixed monthly recurring charge per account applies.

Monthly Membership fee	$5.00 per account

4.1.1 CTC Switched Outbound Service

Calls are billed in six (6) second increments after the initial minimum period of six (6) seconds.

Plan 1

All mileage bands All times of day:	$.1700 per minute

Plan 2

All mileage bands All times of day:	$.1350 per minute

SECTION 4 - RATES (cont'd)

4.1 General (cont'd)

4.1.2 CTC Switched Inbound Service

Calls are billed in six (6) second increments after the initial minimum period of thirty (30) seconds.

Plan 1

All mileage bands
All times of day: $.1700 per minute

Plan 2

All mileage bands
All times of day: $.1350 per minute

SECTION 4 - RATES (cont'd)

4.1 General (cont'd)

4.1.3 CTC Dedicated Outbound Service

Calls are billed in six (6) second increments after the initial minimum period of six (6) seconds. The Customer is responsible for all charges associated with the dedicated access line, whether billed directly by the access provider or passed through by CTC.

Plan 1

All mileage bands
All times of day: $.1040 per minute

Plan 2

All mileage bands
All times of day: $.0760 per minute

Dedicated access circuits may be provided and billed by the local exchange company (LEC). Dedicated access channels may be purchased from carriers other than the LEC only in accordance with Commission rules or if the special access channel is jurisdictionally interstate. Charges for the dedicated access channel are determined by the access provider.

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SECTION 4 - RATES (cont'd)

4.1 General (cont'd)

4.1.4 CTC Dedicated Inbound Service

Calls are billed in six (6) second increments after the initial minimum period of thirty (30) seconds. The Customer is responsible for all charges associated with the dedicated access line, whether billed directly by the access provider or passed through by CTC.

Plan 1

All mileage bands All times of day:	$.1040 per minute

Plan 2

All mileage bands All times of day	$.0840 per minute

Dedicated access circuits may be provided and billed by the local exchange company (LEC). Dedicated access channels may be purchased from carriers other than the LEC only in accordance with Commission rules or if the special access channel is jurisdictionally interstate. Charges for the dedicated access channel are determined by the access provider.

4.1.5 CTC Travel Service

Calls are billed in one (1) minute increments after the initial minimum period of one (1) minute.

Per minute rate: $.1990

SECTION 4 - RATES (cont'd)

4.1 General (cont'd)

4.1.6 Directory Assistance

Directory Assistance is available to Customers of CTC Switched Network Service, and Travel Card Service. Directory Assistance charge applies to each call to the Directory Assistance Bureau. Up to two (2) requests may be made on each call to Directory Assistance. The Directory Assistance charge applies to each call regardless of whether the Directory Assistance Bureau is able to furnish the requested telephone number.

Directory Assistance, Per Call	$.75

4.2 Discounts for Handicapped Customers

4.2.1 Discounts for Hearing Impaired Customers -- Rates for intrastate toll message calls involving use of a telecommunications device for the deaf (TDD) by properly certified business establishments or individuals equipped with TDDs for communications with hearing or speech impaired persons, shall be evening rates for daytime calls and night rates for evening and night calls.

4.2.2 Directory Assistance Charges for Handicapped Persons -- Pursuant to Florida Public Service Commission Rules and regulations CTC will not charge for the first 50 directory assistance calls made each month by a handicapped Customer who is unable to use the published directory.

SECTION 4 - RATES (cont'd)

4.2 Discounts for Handicapped Customers (cont'd)

4.2.3 Operation of Telecommunications Relay Service -- For intrastate toll calls received from the Telecommunications Relay Service, each CTC-billed relay call will be discounted by 50 percent of the applicable rate for a voice nonrelay call, except that where either the calling or called party indicates that either party is both hearing and visually impaired, the call will be discounted by 60 percent of the applicable rate for a voice nonrelay call. The above discounts apply only to time-sensitive elements of a charge for the call and shall not apply to per call charges such as a credit card surcharge.

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SECTION 5 - PROMOTIONS

5.1 Promotional Offerings - General

From time to time, the Company may provide promotional offerings to introduce a current or potential Subscriber to a service not being used by the Subscriber. These offerings may be limited to certain dates, times or locations and may waive or reduce recurring or non-recurring charges. Promotions will be approved by the Commission with specific starting and ending dates and under no circumstances run for longer than ninety (90) days in any twelve (12) month period.

5.1.1 Competitive Response Promotion

CTC will, at its discretion, match certain standard or promotional offerings of other interexchange carriers or resellers in order to acquire new Customers. The Customer must demonstrate to the Company's satisfaction that 1) an alternative service offering is valid and currently available from a competing interexchange carrier or reseller and 2) the customer intends to either subscribe to or remain with the competing interexchange carrier or reseller. The Company reserves the right to verify that the alternative offering is an approved tariff on file with the Commission.

5.1.2 Best Rate Guarantee Promotion

CTC will, at its discretion, match certain standard non-promotional offerings of other interexchange carriers or resellers in order to retain existing accounts. The competing rate must be provided in writing and be listed in an approved tariff on file with the Commission and must result in a lower overall bill for the same service offered by the Company.

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SECTION 6 - CONTRACT SERVICES

6.1 Contract Service - General

At the option of the Company, service may be offered on a contract basis to meet specialized requirements of the Customer not contemplated in this tariff. The terms of each contract shall be mutually agreed upon between the customer and Company and may include discounts off of rates contained herein, waiver of recurring or non-recurring charges, charges for specially designed and constructed services not contained in the company's general service offerings, or other customized features. The terms of the contract may be based partially or completely on the term and volume commitment, type of originating or terminating access, mixture of services or other distinguishing features. Service shall be available to all similarly situated Customers for three (3) months after the initial offering to the first contract Customer for any given set of terms.

EXHIBIT 9

CTC will operate in Florida as a reseller of services ultimately provided by other carriers such as IXC Communications, Inc. Consequently, CTC will rely primarily on the procedures established by its underlying carriers for compliance with the EAEA requirements set forth in Commission Rule 2-24.471(4)(a).

EXHIBIT 10

As set forth above in Exhibit 2, a subsidiary of CTC, Computer Telephone of Florida, Inc., previously held a certificate to provide interexchange services in Florida. That certificate was canceled in October 1997 apparently for failure to pay a regulatory fee assessment. Since that time, CTC has not actively solicited new customers in Florida. However, CTC has provided service to 34 customers in Florida. In 1998, those customers accounted for approximately $19,000 in intrastate revenues.

DEPOSIT DATE

D089 - FEB 17 1999

CARTER, LEDYARD & MILBURN
COUNSELLORS AT LAW
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February 16, 1999

BY FEDERAL EXPRESS

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd.
Gerald Gunter Building
Tallahassee, Florida 32399-0850

990185-TI

Re: CTC Communications Corp. -- Application for Authority to Provide Interexchange Services

Dear Sir or Madam:

Enclosed on behalf of CTC Communications Corp. ("CTC") are an original and six copies of an application for authority to provide interexchange telecommunications services within the State of Florida. We also have included a check for $250 to the Commission in payment of the filing fee. Finally, we have enclosed an extra copy of the application and would appreciate if you would date-stamp the copy and return it in the enclosed stamped, self-addressed envelope.

If you have any questions regarding CTC's application, please contact Tim Fitzgibbon or me at the above Washington, D.C. address or telephone number.

CARTER LEDYARD & MILBURN
1350 I STREET, N.W., SUITE 1010
WASHINGTON, DC 20005

1674

February 11 1999

PAY TO THE ORDER OF Florida Public Service Commission $ 250.00

Two hundred fifty and no/100 DOLLARS

FIRST UNION First Union National Bank of Washington, D.C.
Washington, D.C.

FOR Filing Fee

Timothy J. Fitzgibbon