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December 8, 1999

BY AIRBORNE EXPRESS

Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

990000-PU

Re: Notification by Network Telephone Corporation of Reorganization

Dear Sir/Madam:

On behalf of Network Telephone Corporation ("NTC"), this letter is to advise the Commission of a proposed corporate reorganization (the "Reorganization") which the company proposes to consummate. The Reorganization contemplates a series of internal corporate transactions which will ultimately result in NTC becoming a wholly owned subsidiary of a parent holding company.

As described herein, these transactions will result in NTC, which is certificated in this State and is the regulated entity for purposes of this letter, becoming a wholly-owned subsidiary of a Delaware corporation ("Holdco"), a newly created holding company. Holdco will be one hundred percent (100%) owned by NTC's current shareholders in the same percentages and with the same economic and voting rights that they presently possess as shareholders of NTC. Thus, there will be no actual transfer of control of NTC, the regulated entity.

Based on our review of the Commission's applicable rules and regulations, Commission approval of the proposed Reorganization is not required. However, in an abundance of caution, NTC is submitting this letter to the Commission for informational purposes, to be included in the appropriate files.

NTC is a privately held Florida corporation with principal offices located at 119 West Intendencia St., Pensacola, Florida 32501. NTC is a competitive provider of local and interexchange services. NTC is authorized to provide both local and interexchange services in all of the BellSouth states and interexchange services only in Texas and

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Arkansas. NTC is also authorized by the FCC to offer domestic interstate interexchange and international services in all fifty (50) states and the District of Columbia as a non-dominant carrier. NTC is a certificated local and interexchange provider in this State.¹

Holdco will be incorporated in conjunction with the consummation of the Reorganization as a newly created holding company under the laws of the State of Delaware. Holdco will maintain its principal place of business at NTC's present corporate offices set forth above. The sole and exclusive business of Holdco will be to act as a holding company for, and own and operate, NTC.

Applicant proposes a series of inter-corporate transactions as follows:

1. NTC will form Holdco, a Delaware corporation, and own one share of Holdco for an initial contribution of \$1.00.
2. The shareholders of NTC will contribute all of their shares of NTC common and preferred stock pursuant to contribution agreements between Holdco and each shareholder in return for shares of common and preferred stock of Holdco.
3. NTC will contribute its one share of Holdco stock back to Holdco.
4. Management of Holdco will be identical to management of NTC.
5. The stockholders of Holdco will have the same percentage ownership and economic and voting rights at Holdco as they had as shareholders of NTC.
6. NTC shall continue to operate as a regulated entity pursuant to its present certifications, registrations, tariff requirements and rate structures as provided by and pursuant to applicable law.

Critical to the proposed Agreement is the need to ensure the continuation of high quality service to all customers currently served by NTC. The Reorganization will serve the public interest for the following reasons:

¹ In this State, NTC provides intrastate telecommunications services pursuant to a Certificate of Authority to Provide Interexchange Telecommunications Services, Docket Number 98-0547-TI, Order No. PSC-98-1016-FOF-TI, effective date July 27, 1998 and a Certificate to Provide Alternative Local Exchange Telecommunications Services pursuant to Docket No. 98-0134-TX, Order No. PSC 98-0435, effective date March 27, 1998.

1. It will provide flexibility to NTC for purposes of raising additional capital for expansion and investment in customer service and support technologies.
2. It will serve to enhance the overall capacity of NTC to provide telecommunications services for a greater number of consumers of this State at competitive rates.
3. It will not disrupt service or otherwise cause confusion or inconvenience to consumers of this State since NTC will continue to operate under its current management structure and pursuant to its existing certifications and authorities.

The parties are forwarding this letter to the Commission for informational purposes, to be included in the appropriate files. Absent receipt of written notification to the contrary within thirty (30) days from the date of this letter, we will proceed on our understanding that no approval or other formal action is required by the Commission prior to consummation of the Reorganization.

Enclosed are the original and six (6) copies of this letter. Please return one (1) of the copies file-stamped in the envelope provided. If you need any further information or have any questions regarding the matters discussed herein, please do not hesitate to contact the undersigned.

Respectfully submitted,



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