

TC98-122

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TC98-122

DOCKET NO.

In the Matter of

IN THE MATTER OF THE
APPLICATION OF ST LONG
DISTANCE, INC. FOR A CERTIFICATE
OF AUTHORITY TO PROVIDE
TELECOMMUNICATIONS SERVICES IN
SOUTH DAKOTA

Public Utilities Commission of the State of South Dakota

DATE

MEMORANDA

6/29 98 Filed and docketed;
7/2 98 TC Fed. Filing;
9/21 98 Order, Hartung, COA;
9/21 98 Docket Closed.

TC98-122
ORIGINAL

Before the
South Dakota Public Utilities Commission

Application of ST Long) Application Docket
Distance, Inc. for Certificate) No.: _____
of Authority to Offer Services)
as a Reseller of Interexchange)
Services to the Public in the)
State of South Dakota)
_____)

RECEIVED

JUN 29 1998

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

To the South Dakota Public Utilities Commission:

Pursuant to section 49-31-3 of the South Dakota Codified Laws and Section 20:10:24:02 of the South Dakota Administrative Code, ST Long Distance, Inc. ("STLD" or "Applicant") hereby files an application for a Certificate of Authority. In support of this application, the Applicant shows the following:

1. **IDENTITY OF APPLICANT:** The name, telephone number, and FAX number of the Applicant are:

ST Long Distance, Inc.
30 Main Street
Westfield, New York 14787

Phone: (716) 326-3125
FAX: (716) 326-3124

2. **NAME UNDER WHICH APPLICANT WILL PROVIDE SERVICES:** The Applicant will provide services under the name "Kadoka Long Distance, Inc."

3. **LEGAL STATUS:**

- (a) The Applicant is an out-of-state corporation incorporated in the State of Delaware on September 20, 1996. A copy of the Applicant's Certificate of Authority to transact business in the State of South Dakota is attached as Exhibit 1.
- (b) The Applicant has no principal office in the state. Its registered agent is:

CT Corporation System
319 South Coteau Street
Pierre, South Dakota 57501

(c) ST Long Distance is a wholly owned subsidiary of:

ST Enterprises, Ltd.
P.O. Box 199
Dodge City Kansas 67834

ST Enterprises is, in turn, a wholly owned subsidiary of:

MJD Communications, Inc.
5821 Fairview Road
Charlotte, North Carolina 28209

(d) STLD owns the following subsidiary:

Northland Telecommunications, Inc.
P.O. Box 199
Dodge City Kansas 67834

4. **PROPOSED SERVICES:** The Applicant proposes to resell Message Toll Service, inbound Wide Area Telecommunications Service (800/888) and calling card services.
5. **MEANS OF PROVIDING SERVICES:** The Applicant proposes to operate as a "switchless" reseller, using the facilities of underlying carriers. The Applicant does not propose to construct any facilities for the direct provision of its services within South Dakota.
6. **AREA OF SERVICE:** The Applicant intends to provide service throughout the State of South Dakota.
7. **FINANCIAL INFORMATION:** A recent balance sheet for STLD, along with consolidated financial statements of ST Enterprises, Ltd., the parent company, are included as Exhibit 2, "Financial Statements."

The Applicant has neither issued nor prepared an annual report or a report to shareholders.

The Applicant's accounting records and supporting documentation are maintained at the Westfield, New York offices.

A copy of the Applicant's tariff is included as Exhibit 3, "Tariff."

8. **CONTACT PERSON:** The name, title, address, telephone number, and FAX number of the person to whom all inquiries should be regarding complaints or regulatory matters is:

Peter G. Nixon
Chief Operating Officer
30 Main Street
Westfield, New York 14787

Phone: (716) 326-3125
FAX: (716) 326-3124

Kadoka Telephone Company of Kadoka, South Dakota will handle billing and customer service matters in accordance with its standard procedures.

9. **STATES IN WHICH THE APPLICANT IS REGISTERED OR CERTIFIED TO DO BUSINESS:** STLD is registered or certified to do business in the following states:

Colorado	Missouri
Connecticut	New Hampshire
Florida	New Jersey
Illinois	New York
Kansas	North Carolina
Kentucky	North Dakota
Maine	Pennsylvania
Maryland	Rhode Island
Massachusetts	South Dakota
	Vermont
	Virginia

10. **DESCRIPTION OF MARKETING METHODS:** The Applicant will market long distance products such as direct dial 1+, 800, calling card and 800 pin to the 590 subscribers of Kadoka Telephone Company in Kadoka, South Dakota. These products will be marketed using direct mail, news media, and other forms of communication. Kadoka Telephone Company is under common control and ownership with STLD. STLD will bring competitive long distance products and services to this rural area of South Dakota as part of Kadoka's effort to be a full service communications company.
11. **COST SUPPORT:** No cost support information is included in this application, as the Applicant is offering a fully competitive service pursuant to section 49-31-1.3 of the South Dakota Codified Laws, S.D. Codified Laws § 49.31.1.3.

WHEREFORE, good cause being shown that the Applicant has sufficient technical, financial, and managerial capabilities to offer telecommunications services in the State of South Dakota, the Applicant respectfully requests that the Public Utilities Commission grant it a Certificate of Authority to Operate.

By 

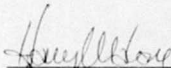
Peter G. Nixon
Chief Operating Officer
ST Long Distance, Inc.

Counsel:
Gerard J. Duffy
Blooston, Mordkofsky, Jackson
& Dickens
2120 L Street, N.W. Suite 300
Washington, D.C. 20037

CERTIFICATE OF SERVICE

I hereby certify that I am an employee of the law firm of Blooston, Mordkofsky, Jackson & Dickens on this 26th day of June, 1998, I caused to be delivered by Federal Express, shipping prepaid, an original and ten (10) copies of the foregoing "Application" to the following:

William Bullard, Jr.
Executive Director
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501-5070



Harry N. Malone

EXHIBIT 1
CERTIFICATE OF AUTHORITY TO TRANSACT BUSINESS
IN THE STATE OF SOUTH DAKOTA

State of South Dakota



OFFICE OF THE SECRETARY OF STATE

CERTIFICATE OF AUTHORITY

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

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



IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this January 3, 1997.

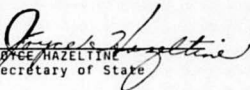

JOYCE HAZELTINE
Secretary of State

EXHIBIT 2
FINANCIAL STATEMENTS

04/24/98

14:19

ST Long Distance
Balance Sheets
March 31, 1998 and 1997

Report: BSSUMSL1160

ASSETS	CURRENT YEAR	PRIOR YEAR
Current assets		
Cash and cash equivalents	183,075	16,999
Trade accounts receivable	67,661	
Related party receivables	420,193	190,096
Other assets	298,115	
	-----	-----
Total current assets	969,045	207,095
	-----	-----
Property, plant and equipment		
Property, plant and equipment	28,931	19,079
Less accum depreciation	(5,126)	(786)
	-----	-----
Net property, plant, equipment	23,805	18,293
	-----	-----
Noncurrent assets		
Other assets	2,202	2,202
	-----	-----
Total noncurrent assets	2,202	2,202
	-----	-----
Total assets	995,052	227,591
	=====	=====
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	1,736,174	92,334
Related party payables	572,889	276,142
Income taxes payable	(329,804)	(52,496)
Other accrued liabilities	31,999	4
	-----	-----
Total current liabilities	2,011,259	315,984
	-----	-----
Long term liabilities		
Deferred income taxes	1,888	
	-----	-----
Total long term liabilities	1,888	
	-----	-----
Stockholders' equity		
Common stock	1	1
Additional paid in capital	99	99
Retained earnings	(1,018,195)	(88,493)
	-----	-----
Total stockholders' equity	(1,018,095)	(88,393)
	-----	-----
Total liabilities and equity	995,052	227,591
	=====	=====


KPMG

S T ENTERPRISES, LTD. AND SUBSIDIARIES

**Consolidated Financial Statements
and Consolidating Information**

December 31, 1997 and 1996

(With Independent Auditors' Report Thereon)



KPMG Peat Marwick LLP

233 South 13th Street, Suite 1600
Lincoln, NE 68508-2041

Two Central Park Plaza
Suite 1501
Omaha, NE 68102

Independent Auditors' Report

The Board of Directors
S T Enterprises, Ltd.:

We have audited the accompanying consolidated balance sheets of S T Enterprises, Ltd. and subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of operations, stockholder's equity (deficit), and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements referred to above, present fairly, in all material respects, the financial position of S T Enterprises, Ltd. and subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information included in Schedules 1 and 2 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

KPMG Peat Marwick LLP

February 27, 1998



S T ENTERPRISES, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 1997 and 1996

Assets	1997	1996
Current assets:		
Cash and cash equivalents	\$ 3,650,138	3,231,475
Accounts receivable, net of allowance for doubtful accounts of \$49,204 in 1997 and \$57,734 in 1996	7,209,389	4,416,985
Prepaid and other assets	374,171	351,726
Income tax recoverable from Parent	2,230,945	736,769
Total current assets	13,464,643	8,738,955
Property, plant and equipment, net	35,177,803	36,302,912
Other assets:		
Investments	3,947,182	3,523,634
Goodwill, net of amortization	27,304,076	28,062,536
Loan origination costs, net of amortization	2,244,134	1,423,359
Net investment in direct financing leases	-	245,865
Other	199,497	7,815
Total other assets	33,694,889	33,263,209
Total assets	\$ 82,337,335	78,305,076
Liabilities and Stockholder's Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ 4,741,836	2,028,026
Current portion of long-term debt	4,104,629	3,157,937
Current portion of capital lease obligations	4,848	17,970
Current portion of early retirement benefits	14,283	22,809
Accrued interest payable	1,855,885	1,100,425
Other accrued liabilities	1,876,553	1,444,678
Deferred income taxes	-	10,042
Total current liabilities	12,598,034	7,781,887
Long-term liabilities:		
Long-term debt, net of current portion	81,378,779	57,129,369
Interest payable	-	472,763
Long-term capital lease obligation, net of current portion	76,877	43,945
Early retirement benefits payable, net of current portion	22,083	38,371
Deferred income taxes	2,776,523	2,797,835
Unamortized investment tax credits	14,499	46,806
Total long-term liabilities	84,288,761	60,529,089
Minority interest	21,552	21,341
Stockholder's equity (deficit):		
Common stock - \$ 0.1 par value; 200,000 shares authorized; 90,000 shares issued and outstanding, 12,857 and 10,000 shares reserved for exercise of put warrants in 1997 and 1996, respectively	900	900
Additional paid-in capital	7,338,959	7,598,983
Put warrants	2,466,909	1,456,885
Retained earnings (deficit)	(24,377,780)	-915,991
Total stockholder's equity (deficit)	(14,571,012)	9,972,759
Total liabilities and stockholder's equity (deficit)	\$ 82,337,335	78,305,076

See accompanying notes to consolidated financial statements.

S T ENTERPRISES, LTD. AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 1997 and 1996

	1997	1996
Revenues	\$ 32,384,788	27,547,158
Operating expenses	23,404,723	18,512,016
Income from operations	8,980,065	9,035,142
Other income (expense):		
Net gain (loss) on sale of investments and other assets	(28,593)	160
Interest income	135,102	140,457
Dividend income	199,158	209,245
Interest expense	(6,362,600)	(6,421,052)
Other nonoperating, net	23,810	14,407
Total other expense	(6,033,123)	(6,056,783)
Earnings before income taxes and extraordinary item	2,946,942	2,978,359
Income tax expense	(1,225,142)	(1,254,417)
Earnings before extraordinary item	1,721,800	1,723,942
Extraordinary item - loss on early retirement of debt, net of income tax benefit of \$2,296,480	(3,611,624)	-
Earnings (loss) before minority interest	(1,889,824)	1,723,942
Minority interest in income of subsidiaries	(3,947)	(5,410)
Net earnings (loss)	\$ (1,893,771)	1,718,532

See accompanying notes to consolidated financial statements.

ST ENTERPRISES, LTD. AND SUBSIDIARIES

Consolidated Statements of Stockholder's Equity (Deficit)

Years ended December 31, 1997 and 1996

	Common stock	Additional paid-in capital	Put warrants	Retained earnings (deficit)	Total stockholder's equity (deficit)
Balance, December 31, 1995	\$ 900	7,598,983	859,550	294,794	8,754,227
Net earnings	-	-	-	1,718,532	1,718,532
Dividends paid	-	-	-	(500,000)	(500,000)
Increase in value of put warrants	-	-	597,335	(597,335)	-
Balance, December 31, 1996	900	7,598,983	1,456,885	915,991	9,972,759
Net loss	-	-	-	(1,893,771)	(1,893,771)
Dividends paid	-	-	-	(23,400,000)	(23,400,000)
Issuance of put warrants	-	-	750,000	-	750,000
Increase in value of put warrants	-	(260,024)	260,024	-	-
Balance, December 31, 1997	\$ 900	7,338,959	2,466,909	(24,377,780)	(14,571,012)

See accompanying notes to consolidated financial statements.

S T ENTERPRISES, LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 1997 and 1996

	1997	1996
Cash flows from operating activities:		
Net earnings (loss)	\$ (1,893,771)	1,718,532
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	6,801,997	6,330,615
Provision for uncollectible revenue	-	4,812
Deferred income taxes	(31,354)	406,738
Deferred patronage dividends	(459,578)	(282,501)
Minority interest in income of subsidiary	3,947	5,410
Net (gain) loss on sale of investments and other assets	26,079	(160)
Loss on early retirement of long-term debt	1,857,878	-
Amortization of investment tax credits	(12,307)	(13,835)
Change in assets and liabilities arising from operations:		
Accounts receivable	(2,792,404)	(188,460)
Prepaid and other assets	(21,402)	17,593
Accounts payable	2,713,810	360,843
Accrued interest payable	282,697	(71,568)
Accrued liabilities	431,875	109,802
Income taxes recoverable	(1,494,176)	(147,821)
Total adjustments	7,307,062	6,531,468
Net cash provided by operating activities	5,413,291	8,250,000
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(4,730,278)	(4,737,226)
Proceeds from sale of property, plant and equipment	48,635	66,180
Distributions from investments	37,030	8,513
Acquisition of investments	(1,000)	(888)
Payments received on direct financing leases	248,829	-
Acquisition of telephone properties, purchase price adjustment	-	(48,450)
Increase in other assets	(190,731)	-
Net cash used in investing activities	(4,587,515)	(4,711,871)
Cash flows from financing activities:		
Payment of early retirement benefits	(24,814)	(20,646)
Proceeds from issuance of long-term debt	39,200,000	-
Loan origination costs	(1,449,684)	-
Repayment of long-term debt	(14,720,069)	(2,955,728)
Repayment of capital lease obligation	(8,810)	(2,761)
Dividends paid to minority stockholders	(3,736)	(4,020)
Common stock dividends paid	(23,400,000)	(500,000)
Net cash used in financing activities	(407,113)	(3,483,155)
Net increase in cash and cash equivalents	418,663	54,974
Cash and cash equivalents, beginning of year	3,231,475	3,176,501
Cash and cash equivalents, end of year	\$ 3,650,138	3,231,475

See accompanying notes to consolidated financial statements.

ST ENTERPRISES, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 1997 and 1996

(1) Organization and Summary of Significant Accounting Policies

Organization

S T Enterprises, Ltd. (STE) provides management services to its subsidiaries, as defined below. STE is a wholly-owned subsidiary of MJD Communications, Inc. (MJD or Parent).

Sunflower Telephone Company, Inc. (Sunflower) provides telephone services in western Kansas and eastern Colorado. Northland Telephone Company of Maine, Inc. and Northland Telephone Company of Vermont, Inc. (the Northland Companies) provide telephone services in Maine, New Hampshire and Vermont. S T Communications, Inc. sells telephones and provides telephone installation and repair services. S T Paging, Inc. operates a one-way radio paging service in the southwest Kansas area. S T Long Distance, Inc. provides resale of long distance services.

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of S T Enterprises, Ltd. and its subsidiaries (the Company): Sunflower and its subsidiary, STE Finance Company, Inc.; the Northland Companies; S T Communications, Inc.; S T Paging, Inc.; and S T Long Distance, Inc. All intercompany transactions and accounts have been eliminated in consolidation.

The consolidated financial statements have been prepared using generally accepted accounting principles applicable to regulated entities.

Revenue Recognition

Revenues from telephone services are recognized from primarily three sources, access, pooling and miscellaneous. Local access charges are billed to local end users under tariffs approved by the state's Public Utilities Commission. Access revenues are derived on the intrastate jurisdiction by billing access charges to interexchange carriers and to regional bell operating companies. These charges are billed based on toll or access tariffs approved by the local state's Public Utilities Commission. Access charges for the interstate jurisdiction are billed in accordance with tariffs filed by the National Exchange Carrier Association (NECA) or by the individual company and approved by the Federal Communications Commission.

Revenues are determined on a bill and keep basis or a pooling basis. If on a bill and keep basis, the company bills the charges to either the access provider or the end user and keeps the revenue. If the company participates in a pooling environment (interstate or intrastate), the toll or access billed are contributed to a revenue pool. The revenue is then distributed to individual companies based on their company specific revenue requirement. This distribution is based on individual state Public Utilities Commission's (intrastate) or Federal Communications Commission's (interstate) approved separation rules and rates of return. Distribution of revenues from these pools can change relative to changes made to expenses, plant investment or rate of return. The companies participate in federal and in certain state universal service programs that are pooling in nature, but are regulated by rules separate from those described above. These rules vary by state.

Miscellaneous revenues are derived by billing to either end users, access providers or other parties services such as directory advertising, billing and collecting services, rent, etc. These services are typically billed under contract or under tariff supervision.

(Continued)

ST ENTERPRISES, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and temporary cash investments and trade receivables. The Company places its cash and temporary cash investments with high quality financial institutions. Concentrations of credit risk with respect to trade receivables are limited due to the Company's large number of customers in several states. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Company utilizes cash management accounts that invest excess funds in interest-bearing securities.

Investments

Investments consist of stock in CoBank, ACB (Co-Bank), the Rural Telephone Bank, and minority equity investments in other nonregulated entities. Such investments are stated at cost and approximate fair value.

The Company currently receives patronage dividends for its investment in Co-Bank stock, a portion of which are paid currently and a portion of which are deferred. The total patronage dividends from Co-Bank are recognized as a reduction of interest expense when declared. The deferred portion of the patronage dividend is included as part of the basis of the investment until paid. The Rural Telephone Bank investment pays dividends annually based on the discretion of its Board of Directors.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Repairs and maintenance are charged to expense as incurred; major renewals and improvements are capitalized. For Sunflower and the Northland Companies, the original cost of depreciable property retired, together with removal cost, less any salvage realized, is charged to accumulated depreciation. For all other companies, the original cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations. Sunflower and the Northland Companies capitalize estimated costs of debt and equity funds used for construction purposes for projects greater than \$100,000.

Depreciation is determined using the straight-line method for financial reporting purposes. Depreciation expense was \$5,806,329 and \$5,344,080 for the years ended December 31, 1997 and 1996, respectively.

Goodwill

Goodwill consists of the difference between the purchase price incurred in acquisitions using the purchase method of accounting and the fair value of net assets acquired. The Company evaluates the recoverability of goodwill by determining whether the amortization of the goodwill balance over its remaining life can be recovered through undiscounted future cash flows from operations. Goodwill is being amortized using the straight-line method over a forty-year period. Accumulated amortization of goodwill was \$3,034,613 and \$2,276,153 at December 31, 1997 and 1996, respectively.

(Continued)

S T ENTERPRISES, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Loan Origination Costs

Loan origination costs are being amortized using the straight-line method which approximates the effective interest rate method over the life of the loans ranging from ten to fifteen years. Accumulated amortization of loan origination costs was \$598,377 and \$464,596 at December 31, 1997 and 1996, respectively.

Net Investment in Direct Financing Leases

The Company had two agreements to lease a portion of its fiber optic network to KIN Network, Inc. The leases were scheduled to expire in the year 2007 and were classified as direct financing leases. Earned income was being recognized over the life of the agreements using the interest method. During 1997, KIN Network, Inc. exercised their purchase option and bought out the leases.

Income Taxes

The Company is included in a consolidated income tax return with MJD. Current income tax expense is allocated to MJD's subsidiaries based upon their relative income or loss. The current income tax expense or benefit allocated to the Company's subsidiaries is paid to or received from MJD. Deferred income taxes are calculated on a separate company basis.

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of income taxes currently due plus deferred income taxes related primarily to differences between the financial and tax bases of property, plant and equipment, goodwill, early retirement benefits for certain employees and differences between the financial and tax bases of minority equity investments in other nonregulated entities. The deferred income taxes represent the future income tax return consequences of those differences.

Sunflower records investment tax credits as a deferred credit which is amortized over the life of the assets providing the credit. For all other companies, investment tax credits are reported as a reduction of income tax expense in the year the credit is utilized.

Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these consolidated financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

(Continued)

ST ENTERPRISES, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(2) Property, Plant and Equipment

A summary of property, plant and equipment as of December 31, 1997 and 1996 follows:

	Estimated life (in years)	1997	1996
Land	--	\$ 471,780	461,302
Buildings	30	5,361,478	5,247,190
Telephone equipment	10 - 25	74,222,118	71,770,515
Furniture and equipment	5 - 10	2,048,355	1,401,439
Vehicles and equipment	3 - 5	2,608,812	2,551,017
Computer software	5	246,288	174,656
Total property, plant and equipment		84,958,831	81,606,119
Accumulated depreciation		(49,781,028)	(45,303,207)
Net property, plant and equipment		\$ 35,177,803	36,302,912

Construction expenditures for 1998 are expected to approximate \$3,635,800. The Company anticipates financing this construction through operations.

(3) Investments

Investments are stated at cost and consist of the following as of December 31, 1997 and 1996:

	1997	1996
Rural Telephone Bank stock	\$ 2,197,789	2,197,789
Co-Bank stock and unpaid deferred Co-Bank patronage	1,547,119	1,086,541
Professional Electronic Network	198,902	235,932
Other investments	3,372	3,372
Total investments	\$ 3,947,182	3,523,634

(Continued)

ST ENTERPRISES, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(4) Long-term Debt

A summary of long-term debt at December 31, 1997 and 1996 follows:

	1997	1996
Senior note payable to Co-Bank, as of December 31, 1997, the weighted-average interest rate was 8.41%. The note is payable in variable quarterly payments through April 20, 2012	\$ 39,200,000	-
Senior note payable to Co-Bank, as of December 31, 1997, the weighted-average interest rate was 8.88%. The note is payable in variable quarterly payments through October 10, 2009	27,089,780	28,389,666
Senior note payable to Co-Bank, as of December 31, 1997, the weighted-average interest rate was 8.04%. The note is payable in variable quarterly payments through January 10, 2004	7,800,000	8,975,000
Senior note payable to Co-Bank, as of December 31, 1997, the weighted-average interest rate was 8.65%. The note is payable in variable quarterly payments through October 10, 2009	7,721,028	8,091,517
Senior note payable to Co-Bank, as of December 31, 1997, the weighted-average interest rate was 8.82%. The note is payable in quarterly principal payments of \$78,140 through July 10, 2009	3,672,600	3,985,161
18% subordinated secured notes paid in 1997 to ALTA Subordinated Debt Partners II, L.P. and ALTA Subordinated Debt Partners III, L.P. (collectively, the ALTA Partners)	-	11,562,133
Total long-term debt	85,483,408	61,003,477
Less discount on subordinated notes	-	(716,171)
Total outstanding long-term debt	85,483,408	60,287,306
Less current portion	(4,104,629)	(3,157,937)
Total long-term debt	\$ 81,378,779	57,129,369

(Continued)

ST ENTERPRISES, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Long-term debt maturities for each of the five years subsequent to December 31, 1997 are as follows:

Fiscal year	
1998	\$ 4,104,629
1999	5,037,672
2000	6,058,001
2001	6,649,628
2002	7,230,651
Thereafter	56,402,827
	<hr/>
	\$ 85,483,408

The note agreements with Co-Bank contain various restrictive covenants which, among others, require that the Company maintain certain financial ratios. The Company received waivers related to noncompliance with certain covenants of the debt agreements. As a result of receiving the waivers, it is management's opinion that the Company has complied with all such covenants.

Substantially all assets of the Company and common stock of certain other subsidiaries of MJD are pledged to secure the Company's debt.

The Company and MJD entered into a recapitalization plan that occurred on July 31, 1997. The Company borrowed an additional \$39.2 million of long-term debt with a fifteen year maturity from Co-Bank and distributed \$23.4 million as cash dividends to MJD. The borrowings were also used to retire the subordinated notes and pay the related prepayment penalties. The Company recognized an extraordinary loss of \$5.9 million (\$3.6 million net of taxes), consisting of prepayment penalties of approximately \$4.0 million, the write-off of existing deferred financing costs of approximately \$1.1 million, and the issuance of additional put warrants valued at \$750,000 (see note 7).

(5) Employee Benefit Plan

The Company has a voluntary 401(k) savings plan (the Plan) that covers all eligible employees. Each plan year, the Company contributes to the Plan an amount of matching contributions determined by the Company at its discretion. For the plan years ended December 31, 1997 and 1996, the Company matched 100% of each employee's contribution up to 3% of compensation and 50% of additional contributions up to 6%. The Plan also allows for a profit sharing contribution that is based upon management discretion. Total Company contributions to the Plan were \$304,710 and \$273,134 for the years ended December 31, 1997 and 1996, respectively.

(Continued)

S T ENTERPRISES, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(6) Income Taxes

Income tax expense consists of the following components:

	1997	1996
Current:		
Federal	\$ 1,026,245	751,204
State	242,558	110,310
Total current income tax expense	1,268,803	861,514
Investment tax credits	(12,307)	(13,835)
Deferred:		
Federal	(57,825)	319,773
State	26,471	86,965
Total deferred income tax expense (benefit)	(31,354)	406,738
Total income tax expense	\$ 1,225,142	1,254,417

Total income tax expense in 1997 and 1996 was greater than that computed by applying U. S. federal income tax rates to income before income taxes. The reasons for the differences are as follows:

	1997	1996
Computed "expected" tax expense	\$ 1,001,960	1,012,641
State income tax, net of federal income tax benefit	177,559	130,202
Amortization of investment tax credits	(12,307)	(13,835)
Goodwill amortization	102,056	102,056
Other	(44,126)	23,353
Total income tax expense	\$ 1,225,142	1,254,417

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1997 and 1996 are presented on the following page.

(Continued)

ST ENTERPRISES, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	1997	1996
Deferred tax assets:		
Employee benefits	\$ 14,281	23,768
Allowance for doubtful accounts		5,507
Warrants issued in connection with early retirement of debt	291,525	-
Total gross deferred tax assets	305,806	29,275
Deferred tax liabilities:		
Property, plant and equipment, principally due to depreciation differences	1,765,729	1,875,183
Goodwill due to amortization differences	1,003,450	714,672
Basis in investments	313,150	247,297
Total gross deferred tax liabilities	3,082,329	2,837,152
Net deferred tax liabilities	\$ 2,776,523	2,807,877

As a result of the nature and amount of the temporary differences which give rise to the gross deferred tax liabilities and the Company's expected taxable income in future years, no valuation allowance for deferred tax assets as of December 31, 1997 and 1996 was necessary.

(7) Stockholder's Equity

The subordinated notes included detachable warrants to purchase 10,000 shares of the Company's common stock at the stated par value of \$0.1 per share. In conjunction with the retirement of the subordinated notes in 1997, the Company issued additional warrants to purchase 2,857 shares of the Company's common stock. This noncash transaction was recognized as part of the loss on the early retirement of debt described in note 4. The warrants are currently exercisable, have no expiration date and contain certain put and call provisions. The warrants may not be put back to the Company prior to July 31, 1999. The Company may call the warrants beginning after July 31, 1999. The agreement stipulates that the put/call price of the warrants shall be equal to the Company's net equity, as defined in the agreement, multiplied by the ratio of exercisable warrants to the number of shares of common stock outstanding on a fully-diluted basis on the date of the put or call.

The Company recorded the fair value of the warrants as determined by management at the issuance date of the put warrants. On an annual basis, the warrants are valued and any increase or decrease in value is accreted using the straight-line method against retained earnings to the extent they remain, with any excess then charged to additional paid-in capital over the remaining period until the Company or the warrant holders are allowed under the agreement to call/put the warrants as mentioned above. At December 31, 1997 and 1996, management's estimation of the fair value of the warrants was \$3,455,500 and \$3,000,000, respectively.

(Continued)

ST ENTERPRISES, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(8) Related Party Transactions

The Company has an agreement with MJD to provide management services to the Company. As part of this agreement, the Company reimburses MJD for expenses incurred in connection with managing the Company. For the years ended December 31, 1997 and 1996, this amounted to \$1,621,077 and \$1,354,981, respectively. In addition, the Company and its subsidiaries are included in the consolidated tax return of the Parent. At December 31, 1997 and 1996, there was an income tax recoverable from the Parent of \$2,230,945 and \$736,769, respectively.

The Company provides management services to other subsidiaries of MJD. For the years ended December 31, 1997 and 1996, this amounted to \$194,535 and \$75,760, respectively. The Company also enters into other various transactions with other subsidiaries of MJD. Included in accounts receivable are related party balances of \$1,539,110 and \$183,493 at December 31, 1997 and 1996, respectively. Included in accounts payable are related party balances of \$1,169,598 and \$13,552 at December 31, 1997 and 1996, respectively.

In 1997 and 1996 a law firm, in which a stockholder of MJD is a partner, was paid \$521,621 and \$178,368, respectively, for general counsel and loan origination costs.

(9) Supplemental Cash Flow Information

For the year ended December 31, 1997, the Company paid interest of \$6,379,397, which is net of \$120,334 cash received from patronage dividends from Co-Bank. For the year ended December 31, 1996, the Company paid interest of \$6,544,839, which is net of \$142,294 cash received from patronage dividends from Co-Bank.

For the years ended December 31, 1997 and 1996, the Company paid income taxes of \$454,191 and \$993,643, respectively, to MJD.

In 1997, a capital lease obligation of \$43,649 was incurred when the Company entered into a lease for a vehicle. Also in 1997, a capital lease obligation of \$15,029 was canceled when the Company terminated a lease for a vehicle. In 1996, a capital lease obligation of \$46,775 was incurred when the Company entered into a lease for a vehicle.

In addition, the Company recognized the write-off of deferred financing costs of \$1,107,878 and the issuance of additional warrants valued at \$750,000 as part of the loss on the early retirement of debt.

S T ENTERPRISES, LTD. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information

December 31, 1997

Schedule I

Assets	S.T. Enterprises	S.T. Subsidiaries	Southland Company of Vietnam Inc.	S.T. Piping, Inc.	S.T. Drainage, Inc.	S.T. Sewer, Inc.	Eliminations	Consolidated total
Current assets								
Cash	382,284	300,116	1,052,535	61,806	328,135	506	-	3,663,518
Accounts receivable, net of allowances for doubtful accounts	3,178,584	3,138,513	1,473,955	2,730	5,613	632,514	1,191,601	13,521,963
Accounts payable, net of current portion of long-term debt	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
Inventory	1,181,500	472,524	1,995,418	21,241	521,969	937	262,146	17,879,847
Prepaid expenses	5,971,843	2,155,166	3,272,873	64,981	21,529	1,802,025	1,363,237	17,978,847
Property, plant and equipment, net	15,568,668	6,617,814	25,848,186	1,829,825	-	-	28,158	45,143,515
Other assets	15,766,566	165,151	5,784,721	-	-	-	403,140	19,635,518
Goodwill	10,582,832	182,265	11,767,771	-	-	-	-	27,564,776
Long-term investments	2,842,515	21,985	11,151,385	200	-	2,262	6,800,000	22,844,114
Long-term receivables	28,048,978	852,269	10,158,150	4,853,848	2,262	7,613,349	15,963,515	122,588,123
Total other assets	51,184,600	6,867,244	47,731,301	12,721,027	107,810	21,529	1,113,982	108,813,478
Total assets	84,981,871	4,828,823	27,096,653	17,787,814	12,180	1,798	6,624,275	60,003,761
Liabilities and stockholders' equity (deficit)								
Current liabilities								
Accounts payable	1,622,249	1,013,772	1,720,842	20,912	471,563	1,806,595	100,082	7,083,210
Accounts receivable	1,100,000	512,524	1,407,000	40,029	-	1,200	-	5,148,000
Current portion of long-term debt	4,000	-	-	-	-	-	-	4,000
Current portion of equity investors' deficits	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
Other current liabilities	193,676	207,813	1,082,504	527,944	30,965	172,273	-	1,878,515
Total current liabilities	4,918,925	2,740,109	4,782,850	779,891	171,563	2,179,068	1,472,261	16,772,518
Long-term liabilities								
Long-term debt	83,700,000	3,800,000	21,882,784	2,328,000	-	-	6,800,000	87,578,779
Long-term capital lease obligations, net of current portion	78,377	27,500	-	-	-	-	-	78,377
Long-term accounts payable, net of current portion	(111,806)	(1,075,503)	1,413,500	80,314	12,590	1,708	2,4270	2,776,237
Deferred income taxes	-	-	-	-	-	-	-	-
Individual contracts to be sold	-	-	-	-	-	-	-	-
Unaffiliated contracts to be sold	-	-	-	-	-	-	-	-
Total long-term liabilities	84,981,871	4,828,823	27,096,653	2,787,814	12,180	1,798	6,624,275	60,003,761
Minority interest	-	-	-	-	-	-	-	21,532
Stockholders' equity (deficit)								
Common stock	900	21,600	1	10	5,000	5,000	1	23,600
Additional paid-in capital	1,100,000	1,000,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	4,700,000
Retained earnings (deficit)	(2,177,700)	(1,171,777)	(1,116,177)	(3,338,103)	(25,000)	(104,248)	90	(5,836,275)
Foreign currency translation	-	-	-	-	-	-	-	-
Total stockholders' equity (deficit)	(1,077,700)	4,828,823	1,023,823	(1,017,093)	(104,248)	(101,948)	317,838	(2,126,475)
Total liabilities and stockholders' equity (deficit)	84,981,871	4,828,823	27,096,653	17,787,814	12,180	1,798	6,624,275	60,003,761

See accompanying independent auditors' report.

S T ENTERPRISES, LTD. AND SUBSIDIARIES

Consolidating Schedule - Operations Information

Year ended December 31, 1997

	S T Enterprises, Ltd.	Sunflower Telephone Company, Inc.	Northland Telephone Company of Maine, Inc.	Northland Telephone Company of Vermont, Inc.	S T Farming, Inc.	S T Communi- cations, Inc.	S T Long Balance, Inc.	S T Finance Company, Inc.	Eliminations	Consolidated totals	
Revenues	\$ 8,411,668	7,284,134	19,534,174	5,536,890	402,441	(596,759)	(540,827)	-	40,708,741	(8,323,953)	32,384,788
Operating expenses	5,182,711	6,024,779	15,102,071	4,188,409	230,463	97,702	902,195	326	31,728,676	(8,323,953)	23,404,723
Income (loss) from operations	3,228,957	1,259,355	4,432,103	1,408,481	171,978	(157,381)	(1,441,022)	(326)	8,980,065	-	8,980,065
Other income (expense)											
Net loss on sale of investments and other assets	(301,146)	48,794	51,203	27,114	1,512	-	-	-	(28,593)	-	(28,593)
Income tax expense	(2,049)	(41,398)	157,760	-	3,919	412	-	675,114	809,665	(674,903)	135,102
Dividend income	(3,211,825)	(315,570)	(2,270,644)	(627,535)	-	-	-	(611,529)	199,158	(7,037,103)	199,158
Interest expense	1,276,808	55,429	-	(418)	510	59	-	-	1,832,388	(1,808,578)	23,810
Other nonoperating, net	(1,462,114)	(169,949)	(2,062,099)	(600,421)	5,982	471	-	63,585	(4,224,545)	(1,808,578)	(6,033,123)
Earnings (loss) before income taxes and extraordinary item	1,766,763	1,089,406	2,390,004	868,060	177,960	(156,910)	(1,441,022)	63,259	4,755,520	(1,808,578)	2,946,942
Income tax (expense) benefit	(48,910)	(412,131)	(949,985)	(341,485)	(69,177)	66,987	560,542	(24,603)	(1,225,142)	-	(1,225,142)
Earnings (loss) before extraordinary item	1,717,853	676,895	1,440,019	526,575	108,783	(95,923)	(882,480)	38,656	3,530,378	(1,808,578)	1,721,800
Extraordinary item - loss on early retirement of income tax benefit	(3,611,624)	-	-	-	-	-	-	-	(3,611,624)	-	(3,611,624)
Earnings (loss) before minority interest	(1,893,771)	676,895	1,440,019	526,575	108,783	(95,923)	(882,480)	38,656	(812,246)	(1,808,578)	(1,889,824)
Minority interest in income of subsidiaries	-	-	-	-	-	-	-	-	(3,947)	-	(3,947)
Net earnings (loss)	\$ (1,893,771)	676,895	1,440,019	526,575	108,783	(95,923)	(882,480)	38,656	(812,246)	(1,812,525)	(1,893,771)

See accompanying independent auditor's report.

EXHIBIT 3
TARIFF

ST LONG DISTANCE, INC.

South Dakota P.U.C. Tariff No. 1
Original Title Sheet

TITLE SHEET

SOUTH DAKOTA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service and facilities for telecommunications services provided by ST Long Distance, Inc., with principle offices at 30 Main Street, Westfield, New York 14787. This tariff applies for services furnished within the State of South Dakota. This tariff is on file with the South Dakota Public Utilities Commission, and copies may be inspected, during normal business hours, at the Company's principal place of business.

Issued:

Effective:

Issued by
Peter G. Nixon, Chief Operating Officer
ST LONG DISTANCE, INC.
30 Main Street
Westfield, New York 14787

CHECK SHEET

The title page and pages 1 through 24 inclusive of this tariff are effective as of the dates shown. Original and revised pages, as named below, comprise all changes from the original tariff in effect on the date indicated.

Page	Revision
1	*Original
2	*Original
3	*Original
4	*Original
5	*Original
6	*Original
7	*Original
8	*Original
9	*Original
10	*Original
11	*Original
12	*Original
13	*Original
14	*Original
15	*Original
16	*Original
17	*Original
18	*Original
19	*Original

* New or Revised Page

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SYMBOLS SHEET

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

- 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 a Text or regulation but no change in rate or charge

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TARIFF FORMAT SHEETS

- A. Sheet Numbering - Sheet numbers appear in the upper right corner of the sheet. 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 sheet. These numbers are used to determine the most current sheet version on file with the South Dakota Public Utilities Commission ("SDPUC"). For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the SDPUC follows in their tariff approval process, the most current sheet number on file with the SDPUC is not always the tariff sheet in effect. Consult the Check Sheet for the sheet currently in effect.
- C. Paragraph Numbering Sequence - There are four levels of paragraph coding. Each level of coding is subservient to its next higher level.
- 2.
 - 2.1.
 - 2.1.A.
 - 2.1.A.(i).
- D. Check Sheets - When a tariff filing is made with the SDPUC, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new sheets are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this sheet if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some sheets). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the SDPUC.

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SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

Access Line - An arrangement which connects the customer's location to a Company switching center or point of presence.

Authorized User - A person, firm, corporation, or any other entity authorized by the Customer to communicate utilizing the Company's service.

Company - Whenever used in this tariff, "Company" refers to ST Long Distance, Inc., unless otherwise specified.

Customer - The person, firm, corporation, or other business or residential entity which orders, cancels, amends, or uses service and is responsible for payment of charges and for compliance with the Company's tariff.

Day - A calling period classification which may be used in determining the rate or rates applicable to a call. The Day calling period begins at 8:00 a.m. and continues through to, but does not include, 5:00 p.m. on days of the week from Monday to, and including, Friday, except for holidays.

Dedicated Access Origination - Where originating access between the Customer and the interexchange carrier is provided on dedicated circuits. The cost of these dedicated circuits is billed by the access provider directly to the end user.

Evening/Weekend - A calling period classification which may be used in determining the rate or rates applicable to a call. The Evening/Weekend calling period begins at 5:00 p.m. and continues through to, but does not include, 8:00 a.m. on days of the week from Monday to, and including, Friday, except for holidays. The Evening/Weekend calling period is also applicable for the entire day on Saturdays, Sundays and Holidays as referenced herein.

Holidays - The Company recognizes holidays in conformance with the applicable recognized holidays of the underlying service provider.

Switched Access Origination - Where originating access between the customer and the interexchange carrier is provided on local exchange company Feature Group circuits.

Issued:

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30 Main Street
Westfield, New York 14787

SECTION 2 - RULES AND REGULATIONS**2.1 Undertaking of ST Long Distance, Inc.**

- A. The Company's services and facilities are furnished to business and residential customers for intraLATA and interLATA communications originating at specified points within South Dakota under terms of this tariff.
- B. The Company installs, operates, and maintains the communications services provided herein in accordance with the terms and conditions set forth under this tariff. The Company may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities as required in the SDPUC's rules and orders, when authorized by the Customer, to allow connection of a Customer's location to the Company's network. The Customer shall be responsible for all charges due for such service arrangement.
- C. The Company's services and facilities are provided on a monthly basis unless otherwise indicated, and are available twenty-four hours per day, seven days per week.

2.2 Limitations

- A. Service is offered subject to the availability of the necessary facilities and equipment, and subject to the provisions of this tariff.
- B. The Company 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 in violation of the law.
- C. 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.
- D. All facilities provided under this tariff are directly controlled by the Company, and the Customer 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.
- E. 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.

Issued:

Effective:

Issued by
Peter G. Nixon, Chief Operating Officer
ST LONG DISTANCE, INC.
30 Main Street
Westfield, New York 14787

SECTION 2 - RULES AND REGULATIONS**2.3 Liabilities of the Company**

- A. The Company's liability for damages arising out of mistakes, interruptions, omissions, delays, errors, or defects in transmission which occur in the course of furnishing service or facilities, in no event shall exceed an amount equivalent to the proportionate charge to the Customer for the period during which the faults in transmission occur.
- B. The Company shall not be liable for 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, if caused by any person or entity other than the Company, by any malfunction of any service or facility provided by any carrier, by an act of God, fire, war, civil disturbance, or act of government, or by any other cause beyond the Company's direct control.
- C. The Company shall not be liable for, and shall be fully indemnified and held harmless by Customer against any claim or loss, expense, or damage (including indirect, special or consequential damage) for defamation, libel, slander, invasion, 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 out of the material, data, information, or other content revealed to, transmitted over the Company's facilities; or for any act or omission of the Customer; or for any personal injury or death of any person caused directly or indirectly by the installation, maintenance, location, condition, operation, failure, presence, use or removal of equipment or wiring provided by the Company, if not directly caused by negligence of the Company.
- D. No agent or employee of any other carrier shall be deemed to be an agent or employee of the Company.
- E. The Company shall not be liable for any defacement of or damages to the premises of a Customer resulting from the furnishing of service which is not the direct result of the Company's negligence.

Issued:

Effective:

Issued by
Peter G. Nixon, Chief Operating Officer
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30 Main Street
Westfield, New York 14787

SECTION 2 - RULES AND REGULATIONS**2.4 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 2.3 herein. It shall be the obligation of the Customer to notify Company immediately of any interruption in service for which a credit allowance is desired by Customer. Before giving such notice, 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 herein since the Customer has the option of using the long distance network via local exchange company access.

2.5 Deposits

The Company does not require a deposit from the Customer.

2.6 Advance Payments

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

2.7 Taxes

All state and local taxes (i.e., gross receipts tax, sales tax, municipal utilities tax) are listed as separate line items and are not included in the quoted rates.

2.8 Payment for Service

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 the Company. Except as provided below regarding billing and payment standards for residential customers, all charges due by the Customer are payable to the Company or to any agency duly authorized to receive such payments. The billing agency may be a local exchange telephone company, interexchange carrier, or other billing service.

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Issued by
Peter G. Nixon, Chief Operating Officer
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30 Main Street
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SECTION 2 - RULES AND REGULATIONS**2.8 Payment for Service (continued)**

Terms of payment shall be according to the rules and regulations of the agency and subject to the rules of regulatory agencies, such as the SDPUC. Any objections to billed charges must be promptly reported to the Company or the Company's billing agent. Adjustments to Customer's bills shall be made to the extent that circumstances exist which reasonably indicate that such changes are appropriate.

2.9 Terminal Equipment

The Company's facilities and service may be used with or terminated in Customer-provided terminal equipment or Customer-provided communications systems, such as a PBX, key systems or Pay Telephone. Such terminal equipment shall be furnished and maintained at the expense of the Customer. The Customer is responsible for all costs at his or her premises, including personnel, wiring, electrical power, and the like, incurred in the use of the Company's service.

2.10 Installation

Service is installed upon mutual agreement between the Customer and the Company. The service agreement does not alter rates specified in this tariff.

2.11 Interconnection

Service furnished by the Company may be connected with the services or facilities of other carriers or enhanced service providers. The Customer is responsible for all charges billed by these entities for use in connection with the Company's service. Any special interface equipment or facilities necessary to achieve compatibility between these entities is the responsibility of the Customer.

2.12 Cancellation by Customer

Unless covered by a term agreement, Customer may cancel service by providing at least four (4) business days written notice to the Company.

2.13 Refusal or Discontinuance by Company

Except as provided below regarding the discontinuance of service for residential customers, the Company may refuse or discontinue service under the following conditions provided that, unless otherwise stated, the Customer shall be given seven (7) days written notice to comply with any rule or to remedy any deficiency:

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SECTION 2 - RULES AND REGULATIONS**2.13 Refusal or Discontinuance by Company (continued)**

- A. For non-compliance with or violation of any State, municipal, or Federal law, ordinance or regulation pertaining to telephone service.
- B. For use of telephone service for any other property or purpose than that described in the application.
- C. For neglect or refusal to provide reasonable access to the Company or its agents for the purpose of inspection and maintenance of equipment owned by the Company or its agents.
- D. For noncompliance with or violation of SDPUC regulation or the Company's rules and regulations on file with the SDPUC.
- E. For nonpayment of bills.
- F. Without notice in the event of Customer or Authorized User use of equipment in such a manner as to adversely affect the Company's equipment or service to others.
- G. Without notice in the event of tampering with the equipment or services owned by the Company or its agents.
- H. 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.
- I. Without notice by reason of any order or decision of a court or other government authority having jurisdiction which prohibits Company from furnishing such services.

2.14 Inspection, Testing, and Adjustment

Upon reasonable notice, the facilities 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.

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SECTION 2 - RULES AND REGULATIONS

2.15 Tests, Pilots, Promotional Campaigns and Contests

- A. The Company may conduct tests or pilot programs at its discretion to demonstrate the ease of use and quality of its service.
- B. The Company may from time to time conduct promotional campaigns during which it offers services to new customers at lower rates and/or at lower processing fees for a specified period of time.
- C. The Company may also waive a portion or all processing fees or installation fees for winners of contests sponsored or endorsed by the Company.

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30 Main Street
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SECTION 3 - DESCRIPTION OF SERVICES**3.1 Timing of Calls**

- A. Long distance usage charges are based on the actual usage of the Company's network. The Company will determine that a call has been established by signal from the local telephone company. The time at which the called party completes the circuit is determined by hardware answer supervision in which the local telephone company sends a signal to the switch or software utilizing audio tone detection. A call is terminated when the calling or called party ends the circuit.
- B. Minimum billed call duration and billing increments differ from product to product. Product specific information is included in the Rate Schedules.
- C. The aggregate usage for each completed call is measured and rounded to the next higher billing increment for billing purposes.
- D. There is no billing applied for incomplete calls.

3.2 Computation of Charges

Usage charges for service will be based on the total duration of the call, the time of day at which the service was used and applicable monthly charges.

3.3 Start of Service for Billing Purposes

For billing purposes, the start of service is the day following acceptance by the customer of Company's service or equipment. The end of service date is the last day of the minimum notification of cancellation or any portion of the last day, after receipt by the Company of notification of cancellation as described in Section 2 of this tariff.

3.4 Rate Periods

The rate for a call may depend, in part, on the time of day rate period during which the call takes place. The Company uses the following definitions for time of day rate periods:

Day - The Day calling period begins at 8:00 a.m. and continues through to, but does not include, 5:00 p.m. on days of the week from Monday to, and including, Friday, except for holidays.

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SECTION 3 - DESCRIPTION OF SERVICES**3.4 Rate Periods (continued)**

Evening/Weekend - The Evening/Weekend calling period begins at 5:00 p.m. and continues through to, but does not include, 8:00 a.m. on days of the week from Monday to, and including, Friday, except for holidays. The Evening/Weekend calling period is also applicable for the entire day on Saturdays, Sundays and Holidays as referenced herein.

3.5 Late Fee

A late fee of 1.5% may be charged on any past due balance against which it has not been previously assessed, beginning 30 days from the mailing date of the bill.

3.6 Returned Check Charges

A fee of the greater of \$5.00 or the actual administrative cost of recovery may be charged for each check returned for insufficient funds.

3.7 Reconnection Charge

A reconnection fee of \$25.00 per occurrence may be charged when service is re-established for customers who have been disconnected for non-payment.

3.8 Calculation of Distance

- A. Usage charges for all mileage sensitive products are based on the airline distance between rate centers associated with the originating and terminating points of the call.
- B. The airline mileage between rate centers is determined by applying the formula below to the vertical and horizontal coordinates associated with the rate centers involved. The company uses the rate centers and associated vertical and horizontal coordinates that are produced by Bell Communication Research in their NPA-NXX V&H Coordinate Tape and AT&T Tariff No. 10.

Formula:

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

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SECTION 3 - DESCRIPTION OF SERVICES**3.9 Minimum Call Completion Rate**

The customer can expect a call completion rate of not less than 95% (95 calls completed per 100 calls attempted) during peak use periods for all Feature Group D (1*) services.

3.10 Special Services

For the purpose of this tariff, a Special Service is deemed to be any service or contractual term requested by the customer for which there is no prescribed rate in this tariff. Special Service charges will be developed on an individual case basis and filed in this tariff.

A. Special Service Regulations

- (i) Special Service charges will be based on the estimated cost of furnishing such services including the cost of operating and maintaining such a service, the cost of equipment and materials used in providing such a service, the cost of installation including engineering, labor supervision, transportation, and the cost of any other specific item associated with the particular Special Service request.
- (ii) If at the request of the customer, the Company obtains facilities not normally used to provide service to its customers, the cost incurred will be billed as a Special Service.
- (iii) If at the request of the customer, the Company provides technical assistance not normally required to provide service, the costs involved will be billed as a Special Service.
- (iv) When special signaling, conditioning, equipment or other features are required to make customer-provided equipment compatible with the Company service, the cost of providing these features will be billed as a Special Service.
- (v) When additional testing is requested in excess of the normal testing required to provide service.

B. Hearing or Speech Impaired Persons

- (i) Rates for certain calls are reduced for a residence or single-line business customer who meet the following requirements:
- (ii) The customer is certified to the Company as having a hearing or speech impairment that prevents telephone voice communication.

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SECTION 3 - DESCRIPTION OF SERVICES**3.10 Special Services (continued)**

- (iii) The customer uses a telecommunications device for the deaf (TDD) or other non-voice equipment for telecommunications.
- (iv) The customer makes written application to the Company for special rates.
- (v) The customer designates to the Company one and only one telephone number associated with that customer's service and telecommunications device.

C. Special Contracts

The Company may from time-to-time enter into special contracts with individual customers at terms, conditions, and rates that are different than those reflected in this schedule. These terms, conditions, and rates will be reasonable under the circumstances and will be offered in a non-discriminatory manner.

3.11 Service Offerings**A. Message Telecommunications Service**

Message Telecommunications Service is offered to business and residential customers. Message Telecommunications Service is a switched or dedicated outbound telecommunications service.

B. Toll Free Inbound Service

Toll Free Inbound Service is offered to business and residential customers. Toll Free Inbound Service is an inbound service originating on feature group facilities provided by the Local Exchange Carrier (LEC) and terminating on a Regular Business Line or a Special Access Line (SAL). This service enables Customers to receive Toll Free Inbound service calls at their residence or place of business.

C. Calling Card Service

- (i) Calling Card Service is offered to business and residential customers. Calling Card Service is offered as a complement to the Company's intrastate message telecommunications service. It allows customers to originate calls from any point within the state through use of a Calling Card via the Company's 800 Universal Access Number. Calls may be terminated to any point

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30 Main Street
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SECTION 3 - DESCRIPTION OF SERVICES

3.12 Service Offerings (continued)

- (ii) within the state via shared use facilities. No specialized services are offered in conjunction with this travel card.
- (iii) Callers may utilize the Calling Card from either a tone generating or rotary-dial telephone, through use of the Company's 800 access number. Calls originating from rotary phones will be completed with the assistance of operators.

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SECTION 4 - RATES**4.1 Message Telecommunications Service****Rates:**

	Switched	Dedicated
Charge for each billing unit of use (sixty seconds)	\$ 0.139	\$ 0.100

Minimum Charge: For each individual completed usage of Message Telecommunications Service, a sixty second minimum charge, applied at the above listed rates, will be charged to the Customer. This minimum charge will be incorporated into the total rate, as standard usage, if the usage exceeds the minimum time period.

Special Rules: See Section 4.5, "Discounts for Hearing Impaired, Visually Impaired, and Handicapped Persons."

4.2 Toll Free Inbound Service**Rates:**

	Switched	Dedicated
Charge for each billing unit of use (sixty seconds)	\$ 0.139	\$ 0.100

Minimum Charge: For each individual completed usage of Toll Free Inbound Service, a sixty second minimum charge, applied at the above listed rates, will be charged to the Customer. This minimum charge will be incorporated into the total rate, as standard usage, if the usage exceeds the minimum time period.

Special Rules: See Section 4.5, "Discounts for Hearing Impaired, Visually Impaired, and Handicapped Persons."

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SECTION 4 - RATES**4.3 Calling Card Service****Rates:**

	Rate
Charge for each billing unit of use (six seconds)	\$ 0.0210

Minimum Charge: For each individual completed usage of Calling Card Service, a thirty second minimum charge, applied at the above listed rates, will be charged to the Customer. This minimum charge will be incorporated into the total rate, as standard usage, if the usage exceeds the minimum time period.

Delayed Payment Charge: A late fee of 1.5% may be charged on any past due balance against which it has not been previously assessed, beginning 30 days from the mailing date of the bill.

Special Rules: See Section 4.5, "Discounts for Hearing Impaired, Visually Impaired, and Handicapped Persons."

4.4 Special Promotions

The Company will, from time to time, offer special promotions to its customers waiving certain charges.

4.5 Discounts for Hearing Impaired, Visually Impaired, and Handicapped Persons**A. Telecommunications Relay Service**

Customer shall notify the Company in writing of usage of Telecommunications Relay Service (TRS) and whether either the called or calling party is both hearing and visually impaired. For intrastate toll calls received from the TRS, for which the Company has received notification, the Company will discount such toll calls by fifty (50) percent off of the otherwise applicable rate for a voice nonrelay call.

For intrastate toll calls received from the TRS, for which the Company has received notification that the called or calling party is both hearing and visually impaired, the Company will discount such toll calls by sixty (60) percent off of the otherwise applicable rate for a voice nonrelay

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30 Main Street
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SECTION 4 - RATES

4.5 Discounts for Hearing Impaired, Visually Impaired, and Handicapped Persons (continued)

call. Discounts contained in this section apply only to time-sensitive elements of a charge for the call.

B. Telecommunications Devices for the Deaf

Customer shall notify the Company in writing of usage of Telecommunications Devices for the Deaf (TDD). Intrastate toll message rates for TDD users who have properly notified the Company of their usage shall be evening rates for daytime calls and night rates for evening and night calls.

C. Individuals with Disabilities

Customer shall notify the Company in writing of usage of intrastate calls to directory assistance by individuals with a physical or mental impairment that prohibits the customer from using a telephone directory.

There will be no charge for up to fifty (50) intrastate directory assistance calls, made by customers who have properly notified the Company in accordance with this section, per billing cycle from lines or trunks serving customers who have properly notified the Company in accordance with this section. The Company will charge its prevailing rate for every call in excess of the above permitted fifty (50) calls per billing cycle.

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Peter G. Nixon, Chief Operating Officer
ST LONG DISTANCE, INC.
30 Main Street
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BLOOSTON, MORDKOFKY, JACKSON & DICKENS

2120 L STREET, N.W. NO. 300
WASHINGTON, D.C. 20037

MA 16523

Pay to
the order of

South Dakota Public Utilities Commission

DATE June 26, 1998

\$250.00

Two Hundred-Fifty and 00/100

CRESTAR

CRESTAR

Crestar Bank
Washington, DC

ST

Long Distance

Hell [Signature]

⑆0016523⑆ ⑆054000522⑆ 206559445⑆

TC98-122

ST Long Distance, Inc.
30 Main Street
Westfield, New York 14787

RECEIVED

JUN 29 1998

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

June 26, 1998

William Bullard, Jr.
Executive Director
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501-5070

Re: Application for Certificate of Authority

Dear Mr. Bullard:

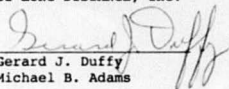
ST Long Distance, Inc. (STLD) hereby submits an original and ten (10) copies of the enclosed application for a Certificate of Authority to offer services as a reseller of interexchange services to the public in the State of South Dakota. In accordance with Commission regulations, a filing fee in the amount of \$250.00 is also enclosed.

This letter is accompanied by a stamped, self-addressed envelope for return of the copy marked "Receipt."

Any questions regarding this filing may be directed to either of the undersigned.

Respectfully submitted,
ST LONG DISTANCE, INC.

By:


Gerard J. Duffy
Michael B. Adams

Its Attorneys

Blooston, Mordkofsky, Jackson
& Dickens
2120 L Street, N.W.
Washington, D.C. 20037
(202) 659-0830

TC97-160	Sterling International Funding, Inc. d/b/a Reconex requests the Commission grant an Order for Application for Rehearing for a Certificate of Authority to provide basic local exchange service on a resold basis within South Dakota. The motion is supported by the Affidavit of William E. Braun, General Counsel. (Staff: TS/KC)	07/01/98	
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You may receive this listing and other PUC publications via our website or via internet e-mail. You may subscribe to the PUC mailing list at <http://www.state.sd.us/state/execute/puc/puc.htm>

PAGE 2 OF 2

South Dakota Public Utilities Commission State Capitol 500 E. Capitol Pierre, SD 57501-5070 Phone: (605) 773-3705 Fax: (605) 773-3809		TELECOMMUNICATIONS SERVICE FILINGS <small>These are the telecommunications service filings that the Commission has received for the period of:</small> 06/26/98 through 07/02/98 <small>If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five days of this filing.</small>	
DOCKET NUMBER	TITLE/STAFF/SYNOPSIS	DATE FILED	INTERVENTION DEADLINE
REQUEST FOR CERTIFICATE OF AUTHORITY			
TC98-122	Application by ST Long Distance, Inc. for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: DJ/EM) "The Applicant proposes to resell Message Toll Service, inbound Wide Area Telecommunications Service (800/888) and calling card services."	06/29/98	07/17/98
FORMAL COMPLAINT FILED			
TC98-123	Susan Schamber vs DTG Internet Services. "We have been internet customers of DTG since Feb 11, 1998. We had very good service until the end of March. At that time our internet began cutting out on us approximately every 2 minutes. DTG has record of how long our connection times were. We have made numerous calls to both DTG and our phone company, Golden West, trying to find out what the problem is and getting it resolved... Golden West tells me DTG has new modems and these modems can't keep up with the demand and DTG says they've had the modems since November with no problems until this time." What do you think the Commission should do to solve this problem? "We would like to know who is disconnecting our internet. We aren't getting straight answers. DTG should also quit advertising the \$14.95 unlimited rate if they can't give that service. I also want our bill credited since we are not receiving adequate service." (Staff: SW/CH)	06/09/98	
TC98-124	Don and Jenny Malsom vs U S WEST Communications. The problem with the telephone line goes "back at least 10" years. The sheriff's office receives 911 calls from their location when none were dialed, noise on the line is reported to U S WEST and when the repairman checks the line it is okay. Caller ID does not work, and calls can not "get thru to us." What do you think the Commission should do to solve this problem? "We are told we need new telephone lines - our equipment is too outdated - we request modern equipment like all others are on." (Staff: SW/KC)	06/29/98	
NONCOMPETITIVE TELECOMMUNICATIONS FILING			
TC98-125	U S WEST Communications filed "to remove the availability of three digit Carrier Identification Codes (CICs) from the Access Services Tariff per the Federal Communications Commission's order in Docket CC92-237. Effective July 1, 1998, only four digit CICs, 10XXXX and 101XXXX dialing patterns will be permitted." (Staff: HB/EM)	07/01/98	07/17/98
APPLICATION FOR REHEARING			

PAGE 1 OF 2

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE APPLICATION OF)	ORDER GRANTING
ST LONG DISTANCE, INC. FOR A)	CERTIFICATE OF
CERTIFICATE OF AUTHORITY TO PROVIDE)	AUTHORITY
TELECOMMUNICATIONS SERVICES IN)	
SOUTH DAKOTA)	TC98-122

On June 29, 1998, the Public Utilities Commission (Commission), in accordance with SDCL 49-31-3 and ARSD 20 10 24 02, received an application for a certificate of authority from ST Long Distance, Inc. (ST).

ST proposes to sell Message Toll Service, inbound Wide Area Telecommunications Service and calling card services as a switchless reseller and not as a facilities-based provider. A proposed tariff was filed by ST. The Commission has classified long distance service as fully competitive.

On July 2, 1998, the Commission electronically transmitted notice of the filing and the intervention deadline of July 17, 1998, to interested individuals and entities. No petitions to intervene or comments were filed and at its regularly scheduled September 10, 1998, meeting, the Commission considered ST's request for a certificate of authority. Commission Staff recommended granting a certificate of authority, subject to the condition that ST not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission.

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

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

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

Dated at Pierre, South Dakota, this 31st day of September, 1998.

CERTIFICATE OF SERVICE
The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by first class mail in properly addressed envelopes, with charges prepaid thereon.
By: <u><i>Alaine Kallas</i></u>
Date: <u>9/21/98</u>
(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

CERTIFICATE OF AUTHORITY

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

Authority was Granted September 10, 1998
Docket No. TC98-122

This is to certify that

ST LONG DISTANCE, INC.

is authorized to provide telecommunications services in South Dakota.

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

Dated at Pierre, South Dakota, this 21st day of September, 1998.

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION:**



James A. Burg

JAMES A. BURG, Chairman

Pam Nelson

PAM NELSON, Commissioner

Laska Schoenfelder

LASKA SCHOENFELDER, Commissioner