

TC98-198

TC98-198

DOCKET NO.

In the Matter of _____

IN THE MATTER OF THE
APPLICATION OF CTC
COMMUNICATIONS CORP. FOR A
CERTIFICATE OF AUTHORITY TO
PROVIDE TELECOMMUNICATIONS
SERVICES IN SOUTH DAKOTA

Public Utilities Commission of the State of South Dakota

DATE

MEMORANDA

11/13/98 Filed and docketed;
11/19/98 Hackley Filing;
1/19/99 Renewed Original Shud Res. 11 and 12;
2/23/99 Order Granting COA;
2/23/99 Docket Closed

TC98-198

CARTER, LEDYARD & MILBURN

COUNSELLORS AT LAW

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November 12, 1998

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NOV 13 1998

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BY FEDERAL EXPRESS

Mr. William Bullard, Jr.
Executive Director
South Dakota Public Utilities Commission
500 E. Capital Avenue
Pierre, South Dakota 57501

Re: CTC Communications Corp. -- Application for a
Certificate of Authority to Operate as a Reseller of
Telecommunications Services

Dear Mr. Bullard:

Enclosed on behalf of CTC Communications Corp. ("CTC") are an original and 10 copies of an application for a certificate of authority to operate as a reseller of telecommunications services in the State of South Dakota. We also have included a check for \$250 in payment of the filing fee. We have enclosed one extra copy of the application and we would appreciate it if you would date-stamp that copy and return it in the enclosed self-addressed, stamped envelope.

If any questions should arise regarding this letter or the attached application, please contact me at the Washington, D.C. address or telephone number listed above. Thank you for your assistance with this matter.

Sincerely,

Thomas F. Bardo

Thomas F. Bardo

TFB:kdd
Enclosures

TC98-198

**STATE OF SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION**

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NOV 13 1998

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

In the Matter of the Application of

CTC Communications Corp.

For a Certificate of Authority
to Operate as a Reseller of
Telecommunications Services within
the State of South Dakota

Docket No. _____

APPLICATION FOR A CERTIFICATE OF AUTHORITY

CTC Communications Corp. ("CTC" or "Applicant"), pursuant to SDCL 49-31-3 et seq. and the Rules of the South Dakota Public Utilities Commission, hereby applies for issuance of a certificate of authority to provide resale competitive interexchange telecommunications services in South Dakota. CTC provides the following information to demonstrate its technical, financial and managerial ability to offer the proposed services.

1. Name, Address and Telephone Number of the Applicant: The legal name of the Applicant, the address of its principal office and its telephone number are:

CTC Communications Corp.
360 Second Avenue
Waltham, Massachusetts 02451
(781) 466-8080

2. Organization and Ownership of Applicant: CTC was incorporated under the laws of the Commonwealth of Massachusetts in 1981 under the name "Computer Telephone Corp." and changed its name to CTC Communications Corp. in September 1996. Copies of

01500.483

CTC's Articles of Incorporation and any amendments thereto are attached as Exhibit 1. A copy of CTC's Certificate of Authority to do business in South Dakota is attached as Exhibit

2. CTC is a publicly-traded company (Nasdaq: CPTL).

3. Registered Agent: The name and address of CTC's registered agent in South Dakota are:

CT Corporation System
319 Coteau Street
Pierre, South Dakota 57501
(302) 658-7581

CTC does not maintain an office in South Dakota.

4. Proposed Services and Operations: CTC does not propose to own or construct transmission lines or other facilities in the State of South Dakota in order to provide the services for which it seeks authority here. Rather, CTC proposes to provide service in South Dakota by reselling interexchange services offered by other authorized interexchange carriers such as IXC Communications, Inc. ("IXC") and Frontier Communications International, Inc. ("Frontier"). CTC proposes to provide service to customers throughout South Dakota.

The specific services to be offered by CTC include Interexchange Message Telecommunications Service ("MTS"), Wide Area Telephone Services ("WATS"), 800 Inbound Service, calling card services and directory assistance services for presubscribed customers. A more complete description of these services is included in CTC's proposed tariff. CTC will make service available to customers twenty-four (24) hours per day, seven (7) days per week throughout the year. Customer service is available via an 800 number which is provided to all CTC customers.

4. 8. 4. 0 5 1 0

5. Financial Qualifications: CTC's audited financial statements from its most recent 10-K Report submitted to the Securities and Exchange Commission are included in Exhibit 3.

6. Proposed Initial Tariff: CTC's proposed initial tariff is attached as Exhibit 4.

7. Contact Persons: Any communications and correspondence regarding this Application should be directed to:

Ms. Pamela L. Hintz
Director of Regulatory and Tariff Compliance
CTC Communications Corp.
360 Second Avenue
Waltham, Massachusetts 02451
(781) 466-1242

with a copy to CTC's counsel:

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

8. Customer Service and Billing Procedures: Questions or complaints regarding customer service or bills are handled by CTC's customer service center. The relevant 800 number for CTC's customer service center is provided to each CTC customer. Adjustments to customer bills resulting from such inquiries or complaints are applied to the next monthly billing statement. CTC bills for services on a monthly basis. CTC may require deposits from customers or potential customers whose credit or payment history is unknown or unsatisfactory.

9. Telecommunications Services in Other States: CTC provides interstate interexchange telecommunications services and has obtained authority to provide intrastate services in California, Colorado, Connecticut, Georgia, Idaho, Indiana, Iowa, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia and Wyoming. CTC currently is applying for intrastate authority in most other states as well.

10. Technical Qualifications: As set forth above, CTC does not propose to own or construct transmission lines or other telecommunications facilities in South Dakota in order to provide the services for which it seeks authorization here. CTC intends to provide service in South Dakota by reselling services offered by other carriers such as IXC and Frontier. Thus, to some extent, CTC will rely on the technical expertise of its underlying carriers. However, as described above, CTC already provides similar services in other states, and its officers and technical personnel have substantial experience and expertise in providing telecommunications services, including local exchange, long distance and other communications services.

11. Managerial Qualifications: The person primarily responsible for overseeing the services to be offered by CTC in South Dakota is Pamela L. Hintz. A copy of Ms. Hintz's resume is attached as Exhibit 5.

12. Filing Fee: A check payable to the State of South Dakota in the amount of two hundred fifty dollars (\$250.00) to cover the Application filing fee is enclosed.

001500406

13. Public Interest Statement: CTC respectfully submits that grant of this Application will serve the public interest, convenience and necessity by:

- (a) increasing competition in the provision of interexchange services within the State of South Dakota;
- (b) affording customers in South Dakota the opportunity to receive interexchange services at discounted rates;
- (c) providing business customers with an opportunity to obtain flexible service offerings and billing options as well as convenient service features; and
- (d) stimulating increased demand for interexchange services, which should promote more efficient use of existing facilities and generate additional tax revenues for the State.

Conclusion

CTC Communications Corp. respectfully requests that the South Dakota Public Utilities Commission grant its Application and issue to CTC a Certificate of Authority to provide competitive telecommunications resale service within the State of South Dakota.

Respectfully submitted,
CTC COMMUNICATIONS CORP.

November 12, 1998

By Thomas Bardo
Timothy J. Fitzgibbon
Thomas F. Bardo

Carter, Ledyard & Milburn
1350 I Street, N.W.
Suite 1010
Washington, D.C. 20005
(202) 898-1515

Its Attorneys

0150.48.7

EXHIBIT 1

The Commonwealth of Massachusetts

MICHAEL JOSEPH CONNOLLY

(Secretary of State)

ONE ASHBURTON PLACE BOSTON, MASS. 02108

ARTICLES OF ORGANIZATION

(Under G.L. Ch. 156B)

Incorporators

NAME

POST OFFICE ADDRESS

Include given name or full corporate name

Robert J. Fabricatore
33 Windsor Road
Wellesley, Massachusetts 02151

The above-named incorporation is hereby organized under the provisions of General Laws, Chapter 156B and related laws.

1. The name by which the corporation is to be known is
Computer Telephone Corp.,

2. The purpose for which the corporation is organized is:
(a) For the sale, installation and maintenance of computer controller tele-communication systems.

(b) To carry on any business or other activity which may be lawfully carried on by a corporation organized under the Business Corporation Law of the Commonwealth of Massachusetts, whether or not related to those referred to in the foregoing paragraph.

Name
Approved

C
P
M
R A

015500.488.9

NEXT

DOCUMENT (S)

BEST IMAGE

POSSIBLE

3. The total number of shares and the par value, if any, of each class of stock within the corporation is authorized as follows:

CLASS OF STOCK	WITHOUT PAR VALUE		WITH PAR VALUE	
	NUMBER OF SHARES	NUMBER OF SHARES	PAR VALUE	AMOUNT
Preferred				\$
Common		1,000,000	\$.01	210,000.

4. If more than one class is authorized, a description of each of the different classes of stock with, if any, the preferences, voting powers, qualifications, special or relative rights or privileges as to each class thereof and any series not established:

Not applicable

5. The restrictions, if any, imposed by the Articles of Organization upon the transfer of shares of stock of any class are as follows:

See Continuation Sheet 5.

6. Other lawful provisions, if any, for the conduct and regulation of business and affairs of the corporation; for its voluntary dissolution or for limiting, defining, or regulating the powers of the corporation, or of its directors or stockholder, or of any class of stockholders:

See Continuation Sheet 6A.

*If there are no provisions in the "None".

01500.48.11

NO. 5 - CONTINUATION SHEET

Any stockholder, including the heirs, assigns, executors or administrators of a deceased stockholder, desiring to sell or transfer such stock owned by him or them, shall first offer it to the corporation through the Board of Directors, in the manner following:

He shall notify the directors of his desire to sell or transfer by notice in writing, which notice shall contain the price at which he is willing to sell or transfer and the name of one arbitrator. The directors shall within thirty days thereafter either accept the offer, or by notice to him in writing name a second arbitrator, and these two shall name a third. It shall then be the duty of the arbitrators to ascertain the value of the stock, and if any arbitrator shall neglect or refuse to appear at any meeting appointed by the arbitrators, a majority may act in the absence of such arbitrator.

After the acceptance of the offer, or the report of the arbitrators as to the value of the stock, the directors shall have thirty days within which to purchase the same at such valuation, but if at the expiration of thirty days, the corporation shall not have exercised the right so to purchase, the owner of the stock shall be at liberty to dispose of the same in any manner he may see fit.

No shares of stock shall be sold or transferred on the books of the corporation until these provisors have been complied with, but the Board of Directors may in any particular instance waive the requirement.



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1

the term "interest" including personal interest and interest as a director, officer, stockholder, shareholder, trustee, member or beneficiary of any concern; and

the term "concern" meaning any corporation, association, trust, partnership, firm, person or other entity other than this corporation.

7. By-laws of the corporation have been duly adopted and the initial directors, president, treasurer and clerk, whose names are set out below, have been duly elected.

8. The effective date of organization of the corporation shall be the date of filing with the Secretary of the Commonwealth of a later date is devised, specify date, not more than 30 days after the date of filing.

9. The following information shall not for any purpose be treated as a requirement of the Articles of Organization of the corporation:

- The post office address of the initial principal office of the corporation of Secretary of the Commonwealth, 1215 Chestnut Street, Newton, Paper Falls, 02164
- The name, residence, and post office address of each of the initial directors and officers of the corporation are as follows:

NAME	RESIDENCE	POST OFFICE ADDRESS
------	-----------	---------------------

President: Robert J. Fabricatore 11 Windsor Street
Wellesley, Massachusetts

Treasurer: Ronald L. Cherkashy 214 Madison Avenue
Akron, Ohio 44313

Clerk: George Michaels 770 Boylston Street
Boston, Massachusetts

Directors:

Robert J. Fabricatore, 11 Windsor Road, Wellesley, MA, 02161
George Michaels, 770 Boylston Street, Boston, MA.
Stephen A. Ide, 1200 Settling Court, Fort Charlotte, FL 33952

c. The date initially adopted for the corporation's fiscal year ends on:

March 31

d. The date initially fixed for the annual meeting of stockholders of the corporation is:

1st Monday in June

e. The name and business address of the initial secretary of the corporation is:

IN WITNESS WHEREOF, I, the undersigned, Secretary of the Commonwealth, have hereunto set my hand and the seal of the Commonwealth at Boston, Massachusetts, this 17th day of May, 1981.

17 81

It is hereby certified that the foregoing information may be introduced into evidence in any court of law or equity in the Commonwealth of Massachusetts, and under the seal of the Secretary of the Commonwealth, this 17th day of May, 1981.

2890

RECEIVED

THE COMMONWEALTH OF MASSACHUSETTS

JUN 3 1981

ARTICLES OF ORGANIZATION

SECRETARY OF STATE
CORPORATION DIVISION

GENERAL LAWS, CHAPTER 156B, SECTION 12

I hereby certify that, upon an examination of the within written articles of organization duly submitted to me, it appears that the provisions of the General Laws relative to the organization of corporations have been complied with, and I hereby approve said articles, and the filing fee in the amount of \$500 having been paid, said articles are deemed to have been filed with me this 3rd day of June 1981.

Effective date

MICHAEL JOSEPH CONNOLLY

Secretary of State

A TRUE COPY ATTEST


WILLIAM FRANCIS GALVIN
SECRETARY OF THE COMMONWEALTHDATE 3/6/81 

PHOTO COPY OF ARTICLES OF ORGANIZATION TO BE SENT
TO BE FILLED IN BY CORPORATION

TO:

George C. Michaels, P.C.

25 New Chardon Street

Boston, MA. 02114

Telephone 227-5130

THIRTY-FIVE (35) % of the total amount of the authorized capital stock with par value and one cent a share for all authorized shares without par value. For stock less than \$1.25. General Laws Chapter 156B. Shares of stock with par value less than one dollar shall be deemed to have par value of one dollar per share.

The Commonwealth of Massachusetts

William Francis Galvin
Secretary of the Commonwealth
ONE ASHBURTON PLACE, BOSTON, MASSACHUSETTS 02108

ARTICLES OF AMENDMENT

General Laws, Chapter 156B, Section 72

FEDERAL IDENTIFICATION
NO. 03-2731202

We Steven P. Milton , President/Vice President and
John D. Pittenger Clerk/Assistant Clerk of
Computer Telephone Corp.

(EXACT Name of Corporation)

located at: 360 Second Avenue, Waltham, MA 02154

(MASSACHUSETTS Address of Corporation)

do hereby certify that these ARTICLES OF AMENDMENT affecting Articles NUMBERED: 1

(Number those articles 1, 2, 3, 4, 5 and/or 6 being amended hereby)

of the Articles of Organization were duly adopted at a meeting held on 09/26 1996, by
vote of:

5,407,571 shares of Common Stock out of 9,601,155 shares outstanding,
type, class & series, (if any)

shares of stock shares outstanding
type, class & series, (if any)

shares of stock shares outstanding
type, class & series, (if any)

CROSS OUT being at least a majority of each type, class or series outstanding and entitled to vote
thereon: -

CABLE being at least two thirds of each type class or series outstanding and entitled to vote

CLAUSE three-fourths of each type class or series outstanding and entitled to vote

To change Article 1 of the Restated Articles of Organization relating to the
name of the corporation to read as follows:

"1. The name by which the corporation shall be known is:

CTC Communications Corp."

C ☐
P ☐
M ☐
R.A. ☐

¹ For amendments adopted pursuant to Chapter 156B, Section 70.

² For amendments adopted pursuant to Chapter 156B, Section 71.

Note: If the space provided under any Amendment or item on this form is insufficient, additions shall be set forth on separate 8 1/2 x 11 sheets of paper leaving a left-hand margin of at least 1 inch for binding. Additions to more than one Amendment may be continued on a single sheet as long as each Amendment requiring each such addition is clearly indicated.

P.C.

NC

To **CHANGE** the number of shares and the par value (if any) of any type, class or series of stock which the corporation is authorized to issue, fill in the following:

The total presently authorized is:

WITHOUT PAR VALUE STOCKS

TYPE	NUMBER OF SHARES
COMMON:	
PREFERRED:	

WITH PAR VALUE STOCKS

TYPE	NUMBER OF SHARES	PAR VALUE
COMMON:		
PREFERRED:		

CHANGE the total authorized to:

WITHOUT PAR VALUE STOCKS

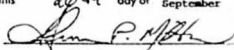
TYPE	NUMBER OF SHARES
COMMON:	
PREFERRED:	

WITH PAR VALUE STOCKS

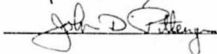
TYPE	NUMBER OF SHARES	PAR VALUE
COMMON:		
PREFERRED:		

The foregoing amendment will become effective when these articles of amendment are filed in accordance with Chapter 1568, Section 6 of The General Laws unless these articles specify, in accordance with the vote adopting the amendment, a later effective date not more than thirty days after such filing, in which event the amendment will become effective on such later date. EFFECTIVE DATE: immediately upon filing

IN WITNESS WHEREOF AND UNDER THE PENALTIES OF PERJURY, we have hereunto signed our names this 26th day of September, in the year 1996.



President/Chairman/President



Clerk/Secretary/Clerk

015500.488.19

SECRETARY OF
THE COMMONWEALTH
96 SEP 30 PM 3:25
CORPORATION DIVISION

THE COMMONWEALTH OF MASSACHUSETTS

ARTICLES OF AMENDMENT

GENERAL LAWS, CHAPTER 156B, SECTION 72

I hereby approve the within articles of amendment and, the filing fee in the
amount of \$ 100 having been paid, said articles are deemed to have
been filed with me this 30th day of September
19 96

William Francis Galvin

William Francis Galvin
Secretary of the Commonwealth

A TRUE COPY ATTEST

William Francis Galvin

WILLIAM FRANCIS GALVIN
SECRETARY OF THE COMMONWEALTH

DATE 9/30/96 CLERK [Signature]

TO BE FILLED IN BY CORPORATION

PHOTOCOPY OF ARTICLES OF AMENDMENT TO BE SENT

TO: Leonard R. Glass, Esq.

Colo Schotz Meisel Forman & Leonard

25 Main Street, Hackensack, New Jersey 07601

Telephone: (201) 489-3000

EXHIBIT 2

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 duplicate of the Application for a Certificate of Authority of CTC COMMUNICATIONS CORP d/b/a COMPUTER TELEPHONE CORP. (CTC) 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 for certificate of authority.

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 October 1, 1998.



Joyce Hazeltime
JOYCE HAZELTINE
Secretary of State

EXHIBIT 3

01550.48.27

CTC COMMUNICATIONS CORP.
INDEX TO FINANCIAL STATEMENTS

Audited Financial Statements

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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	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
	<u>\$30,967,354</u>	<u>\$20,186,450</u>
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 \$0.01 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)
	<u>11,579,575</u>	<u>14,291,673</u>
	<u>\$30,967,354</u>	<u>\$20,186,450</u>

See accompanying notes.

01500.48.226

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
	<u>40,947,136</u>	<u>40,290,099</u>	<u>30,875,925</u>
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
	<u>45,530,528</u>	<u>32,528,836</u>	<u>24,251,007</u>
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
	<u>212,942</u>	<u>198,668</u>	<u>205,006</u>
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)	<u>\$ (2,884,450)</u>	<u>\$ 4,682,931</u>	<u>\$ 4,093,924</u>
Earnings (loss) per common share:			
Basic	\$ (0.29)	\$ 0.49	\$ 0.43
Diluted	<u>\$ (0.29)</u>	<u>\$ 0.43</u>	<u>\$ 0.38</u>
Shares used in computing earnings (loss) per common share:			
Basic	9,886,000	9,600,000	9,446,000
Diluted	<u>9,886,000</u>	<u>10,773,000</u>	<u>10,712,000</u>

See accompanying notes.

CTC COMMUNICATIONS CORP.
STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional	Deferred	Retained	Treasury	Amounts	
	Shares	Par Value	Paid-In Capital	Compensation	Earnings	Stock	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	5,082	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	<u>\$ 2,167,930</u>	<u>\$ 6,405,670</u>	<u>\$ 3,941,876</u>

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.

CTC COMMUNICATIONS CORP.
NOTES TO FINANCIAL STATEMENTS—(Continued)

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.

CTC COMMUNICATIONS CORP.
NOTES TO FINANCIAL STATEMENTS—(Continued)

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

CTC COMMUNICATIONS CORP.
NOTES TO FINANCIAL STATEMENTS—(Continued)

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)
	<u>\$ 7,130,671</u>

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	<u>\$5,118,421</u>	<u>\$(551,924)</u>	<u>\$4,566,497</u>

CTC COMMUNICATIONS CORP.
NOTES TO FINANCIAL STATEMENTS—(Continued)

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
	<hr/>
	1,526,566
Less amount representing interest	(180,493)
	<hr/>
Present value of minimum lease payments	1,346,073
Less current portion of obligations under capital leases	(231,796)
	<hr/>
Obligations under capital leases	<u>\$1,114,277</u>

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 periods: 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.

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CTC COMMUNICATIONS CORP.
NOTES TO FINANCIAL STATEMENTS—(Continued)

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

CTC COMMUNICATIONS CORP.
NOTES TO FINANCIAL STATEMENTS—(Continued)

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.

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CTC COMMUNICATIONS CORP.
NOTES TO FINANCIAL STATEMENTS—(Continued)

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	(218,000)	906,000	725,000
	(1,268,000)	3,566,000	2,860,000
Deferred tax benefit	(1,268,000)	(289,000)	(124,000)
	<u>\$ (1,486,000)</u>	<u>\$3,277,000</u>	<u>\$2,736,000</u>

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	<u>\$1,834,000</u>	<u>\$566,000</u>

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)
	<u>\$(1,486,000)</u>	<u>\$3,277,000</u>	<u>\$2,736,000</u>

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.

CTC COMMUNICATIONS CORP.

NOTES TO FINANCIAL STATEMENTS—(Continued)

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	26,905,571
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.

Description	Col. A	Col. B	Col. C	Col. D	Col. E
	Additions				
	(1)	(2)			
	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 4

01500.4441
CTC Communications Corp.

South Dakota PUC Tariff No. 1
Original Sheet No. 1

SOUTH DAKOTA TELECOMMUNICATIONS TARIFF

OF

CTC COMMUNICATIONS CORP.

360 Second Avenue
Waltham, Massachusetts 02451

This tariff includes the rates, charges, terms and conditions of service for the provision of intrastate interexchange telecommunications services by CTC Communications Corp. ("CTC") between locations within South Dakota. This tariff is on file with the South Dakota Public Utilities Commission. Copies may be inspected during normal business hours at the Company's principal place of business.

Issued:

By: David E. Mahan
Vice President
CTC Communications Corp.
360 Second Avenue
Waltham, Massachusetts 02154

Effective:

CTC Communications Corp.

South Dakota PUC Tariff No. 1
Original Sheet No. 2

CHECK SHEET

The Title Sheet and sheets 1 through 32, 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

Issued:

By: David E. Mahan
Vice President
CTC Communications Corp.
360 Second Avenue
Waltham, Massachusetts 02154

Effective:

CTC Communications Corp.

South Dakota PUC Tariff No. 1
Original Sheet No. 3

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EXPLANATION OF SYMBOLS

- (C) To signify **changed** regulation
- (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** 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).1.
 - 2.1.1.A.1.(a).1.(i).
 - 2.1.1.A.1.(a).1.(i).(1).

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CTC Communications Corp.

South Dakota PUC Tariff No. 1
Original Sheet No. 7

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 - DEFINITIONS

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 South Dakota Public Utilities 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.

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SECTION 1 - DEFINITIONS (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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Effective:

SECTION 2 - REGULATIONS**2.1 Undertaking of CTC**

CTC's services and facilities are furnished for communications between locations within the State of South Dakota 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.

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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.

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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.

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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.
- 2.8.5** The Company reserves the right to assess a return-check charge of up to \$25.00 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.

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SECTION 2 - REGULATIONS (cont'd)

2.8 Payment for Service (cont'd)

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 02451 or by telephone at 1-800-883-6300. CTC will respond within twenty-four (24) hours of receipt of an inquiry. If the customer is dissatisfied with CTC's response to a complaint or inquiry, he or she may file with the Commission for resolution of the conflict. The Commission can be reached at 500 East Capitol Avenue, Pierre, South Dakota 57501-5070 or by telephone at 1-800-332-1782.

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.

2.10 Advance Payments

The Company does not intend to ask for an advance payment from a Customer.

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SECTION 2 - REGULATIONS (cont'd)

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.

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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.

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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.

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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 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.

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CTC Communications Corp.

South Dakota PUC Tariff No. 1
Original Sheet No. 20

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.

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SECTION 3 - DESCRIPTION OF RATES AND SERVICES

3.1 General

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.

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.
- (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.

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SECTION 3 - DESCRIPTION OF RATES AND SERVICES (cont'd)

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.

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. 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.

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SECTION 3 - DESCRIPTION OF RATES AND SERVICES (cont'd)

3.4 Service Descriptions (cont'd)

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.

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 local 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.

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SECTION 3 - DESCRIPTION OF RATES AND SERVICES (cont'd)**3.4 Service Descriptions (cont'd)****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 local 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.

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.

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SECTION 3 - DESCRIPTION OF RATES AND SERVICES (cont'd)

3.4 Service Descriptions (cont'd)

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.

3.5 Rates

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
------------------------	--------------------

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SECTION 3 - DESCRIPTION OF RATES AND SERVICES (cont'd)

3.5 Rates (cont'd)

3.5.1 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: \$1570 per minute

Plan 2

All mileage bands
All times of day: \$1250 per minute

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SECTION 3 - DESCRIPTION OF RATES AND SERVICES (cont'd)

3.5 Rates (cont'd)

3.5.2 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: \$.1570 per minute

Plan 2

All mileage bands

All times of day: \$.1250 per minute

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SECTION 3 - DESCRIPTION OF RATES AND SERVICES (cont'd)**3.5 Rates (cont'd)****3.5.3 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: \$.0780 per minute

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SECTION 3 - DESCRIPTION OF RATES AND SERVICES (cont'd)**3.5 Rates (cont'd)****3.5.4 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

3.5.5 CTC Travel Service

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

Per minute rate: \$.1990

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Waltham, Massachusetts 02154

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SECTION 3 - DESCRIPTION OF RATES AND SERVICES (cont'd)

3.5 Rates (cont'd)

3.5.6 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

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SECTION 4 - PROMOTIONS

4.1 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.

4.1.1 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.

4.1.2 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.

Issued:

By:

David E. Mahan
Vice President
CTC Communications Corp.
360 Second Avenue
Waltham, Massachusetts 02154

Effective:

SECTION 5 - CONTRACT SERVICES**5.1 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.

Issued:

By: David E. Mahan
Vice President
CTC Communications Corp.
360 Second Avenue
Waltham, Massachusetts 02154

Effective:

EXHIBIT 5

PAMELA L. HINTZ

633 Arboretum Way

Burlington, Massachusetts

(781) 273-3297

**PROFESSIONAL
SUMMARY:**

Ten (10) years experience in regulated industries. Background in telecommunications and hazardous waste management. Five (5) years experience in telecommunications regulation. Successful coordination of interexchange (IXC) reseller certification in all continental U.S. states as well as competitive local exchange (CLEC) and access provider (CAP) authorizations in Bell Atlantic North and South jurisdictions. Skilled at tariff development, regulation research, interpretation and application, as well as contract preparation.

**BUSINESS
EXPERIENCE:**

March 1998
through Present

CTC Communications, Corp., Waltham, Massachusetts 02154

Director of Regulatory and Tariff Compliance

Overall responsibility for the Company's ultimate compliance with state and Federal Regulation with respect to Company's CLEC and IXC offerings. Development of Company tariffs and coordination of CLEC and IXC applications with state commissions. Responsible for obtaining and maintaining Company foreign qualifications nationwide including preparation and submission of annual reports and returns. Development of Company policy and procedures to comply with state and Federal Regulatory requirements.

April 1994
through March 1998

RCN Corporation, Princeton, New Jersey

Tariffs and Compliance Manager

Ensuring Company's compliance with state and Federal regulations. Point of contact for state Utility Commissions with respect to pending applications as well as the Company's operations within a given jurisdiction. Supervision of interexchange and local exchange regulatory applications for all Company subsidiaries. Tariff development for new and existing markets. Responsible for the review, interpretation and subsequent application of pending and existing regulation to Company's business operations. Supervision of two (2) tariff analysts. Ultimate responsibility for Company reporting to state and Federal regulatory bodies.

Contracts Administrator

Review of all non-company originated agreements from business, legal and regulatory perspectives. Review, assess and advise Senior Management of potential risks and benefits associated with non-company agreements. Subsequent modification and negotiation of same. Development of new agreements to accommodate new products, business relationships or changing contracting philosophies. Point of Contact with Corporate Legal Department with respect to Company litigation and other legal and regulatory issues. Coordination of Company's long distance division's nationwide certification process. Supervision of one (1) tariff analyst.

0150.48.75
Pamela L. Hintz

Page 2

**BUSINESS
EXPERIENCE:** (contd.)

1988 through 1993

Chemical Waste Management, Inc., Princeton, New Jersey

Northern Region Contracts Administrator

Review, modification and negotiation of all contracts with annualized revenues up to \$100K for four (4) of the Region's six (6) service areas. Ensuring Contract Compliance for areas of responsibility. Evaluation of risks and liabilities for potential projects. Coordination of all administrative bid requirements, including bonds, certificates of insurance, affidavits, disclosure statements, government certifications and representations.

Contracts Administrator, Technical Services Division

Review, modification and negotiation of all contracts with annual revenues up to \$100K. Securing all administrative bid requirements for Division.

Sales Coordinator, Technical Services Division

Internal support and customer service for Division's sales representatives.

1987 through 1988

Guest Supply, Inc., North Brunswick, New Jersey

Custom Order Coordinator

Coordination of customized amenities programs for national and international Hotel Chains and Cruise Lines from program design through production and shipment.

1986 through 1987

Margaretten & Company, Inc., Perth Amboy, New Jersey

Administrative Assistant to Corporate Vice President

Computation and preparation of departmental sales reports. Internal support for thirteen (13) sales locations.

1982 through 1986

Lawn Doctor, Inc., National Headquarters, Matawan, New Jersey

Printing Coordinator

Coordination of purchasing of all promotional and printed materials utilized by a network of over 300 franchises.

EDUCATION:

Rutgers University

New Brunswick, New Jersey
Business Major

OTHER INFORMATION:

Proficient in Word Perfect; Lotus 1-2-3; Amipro and Wordpro; Microsoft Word, Excel and Freelance Graphics.

REFERENCES:

Available upon request.

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01558877

South Dakota Public Utilities Commission

WEEKLY FILINGS

For the Period of November 13, 1998 through November 19, 1998

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five business days of this filing.
Phone: 605-773-3705 Fax: 605-773-3809

ELECTRIC

- EL98-022 In the Matter of the Filing by Black Hills Power & Light Company for Approval of Amendment No. 2 to its Industrial Contract Service Agreement with Homestake Mining Company.

Black Hills Power and Light Company has filed an application requesting the Commission to approve Amendment No. 2 to its Industrial Contract Service Agreement between Black Hills and Homestake Mining Company. According to Amendment No. 1 to the agreement, Homestake would rebuild portions of its distribution system and have that substantially completed by December 31, 1998. Amendment No. 2 grants Homestake's request for an extension of the deadline to September 1, 1999. Homestake will also be 100% liable for the costs of any capital investment Black Hills must make at the Kirk Substation, from January 1, 1999, through September 1, 1999.

Staff Attorney: Karen Cremer
Staff Analyst: Dave Jacobson
Date Filed: 11/17/98
Intervention Deadline: NA

- EL98-023 In the Matter of the Complaint Filed by Bonnie Slade, Fulton, South Dakota, against Northern States Power Company Concerning Outages.

Complaint by Bonnie Slade vs. Northern State Power Company. The Complainant claims an unusually high number of electrical outages has caused great inconvenience and aggravated health conditions. The Complainant requests that Northern States Power upgrade its lines and substations.

Staff Attorney: Karen Cremer
Consumer Affairs: Leni Healy
Date Filed: 11/17/98
Intervention Deadline: NA

TELECOMMUNICATIONS

- TC98-198 In the Matter of the Application of CTC Communications Corp. for a Certificate of Authority to Provide Telecommunications Services in South Dakota.

Application of CTC Communications Corp. for a certificate of authority to provide resold interexchange telecommunications services throughout South Dakota. The services to be provided include MTS, WATS, 800 inbound service. Services will also include calling card and directory assistance services to presubscribed customers.

Staff Attorney: Camron Hoseck
Staff Analyst: Kyle Tracy
Date Filed: 11/13/98
Intervention Deadline: 12/4/98

- TC98-199 In the Matter of the Complaint Filed by Lawrence Klein, Valentine, Nebraska, against U S WEST Communications, Inc. Regarding Poor Service and Request to Have Lines Updated.

Complaint by Lawrence Klein vs. U S WEST Communications, Inc. The Complainant describes a history of poor telephone service and outages. The Complainant seeks reliable telephone service.

Staff Attorney: Camron Hoseck
Consumer Affairs: Leni Healy
Date Filed: 11-06-98
Intervention Deadline: NA

- TC98-200 In the Matter of the Complaint Filed by Don Finn on behalf of Lake Area Hospital, Webster, South Dakota, against AT&T Communications of the Midwest, Inc. Regarding Overcharges.

Complaint by Don Finn vs. AT&T Communications. The Complainant outlines a history of the concerns with AT&T over the past 18 months in which the Hospital was overbilled. The Complainant further claims that AT&T personnel did not offer appropriate assistance in resolving the error. The Complainant seeks reimbursement for the amount overcharged and compensation for time and labor involved.

Staff Attorney: Karen Cremer
Consumer Affairs: Leni Healy

Date Filed: 11-04-98
Intervention Deadline: NA

TC98-201 In the Matter of the Application of FirstWorld Communications, Inc. for a Certificate of Authority to Provide Telecommunications Services in South Dakota

Application of FirstWorld Communications, Inc. for a certificate of authority to provide resold intrastate telecommunications services throughout South Dakota. Services to be provided include MTS, inbound toll free service, travel card, debit card and operator services.

Staff Attorney: Karen Cremer
Staff Analyst: Bob Knadle
Date Filed: 11-16-98
Intervention Deadline: 12-07-98

TC98-202 In the Matter of the Filing by U S WEST Communications, Inc. for Approval of Agreement for Service Resale Between Preferred Carrier Services, Inc. and U S WEST Communications, Inc.

On November 16, 1998, the Commission received an interconnection agreement between U S WEST Communications, Inc. and Preferred Carrier Services, Inc. Any person wishing to comment on the parties' request for approval may do so by filing written comments with the Commission and the parties to the agreement no later than December 11, 1998. Parties to the agreement may file written responses to the comments no later than January 4, 1999.

Staff Attorney: Camron Hoseck
Date Filed: 11-16-98
Responses Due: 12-11-98

TC98-203 In the Matter of the Filing by U S WEST Communications, Inc. for Approval of Negotiated/Arbitrated Terms of Agreement for Interconnection, Resale, and Unbundled Elements between Advanced Communications Group, Inc. and U S WEST Communications, Inc.

On November 19, 1998, the Commission received an interconnection agreement between U S WEST Communications, Inc. and Advanced Communications Group, Inc. Any person wishing to comment on the parties' request for approval may do so by filing written comments with the Commission and the parties to the agreement no later than December 14,

1998. Parties to the agreement may file written responses to the comments no later than January 7, 1999.

Staff Attorney: Camron Hoseck
Date Filed: 11-19-98
Responses Due: 12-14-98

TC98-204 In the Matter of the Filing by U S WEST Communications, Inc. for Approval of Wireless Interconnection Agreement between U S WEST Communications, Inc. and Brookings Municipal Utilities Telephone Department d b a Swiftel Communications

On November 19, 1998, the Commission received a wireless interconnection agreement between U S WEST Communications, Inc. and Brookings Municipal Utilities Telephone Department d b a Swiftel Communications. Any person wishing to comment on the parties' request for approval may do so by filing written comments with the Commission and the parties to the agreement no later than December 14, 1998. Parties to the agreement may file written responses to the comments no later than January 7, 1999.

Staff Attorney: Camron Hoseck
Date Filed: 11-19-98
Responses Due: 12-14-98

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/puc/>

RECEIVED

JAN 19 1999

CARTER, LEDYARD & MILBURN

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

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

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

2 WALL STREET
NEW YORK, N.Y. 10005
(212) 734-3200

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

January 15, 1999

BY FEDERAL EXPRESS

Mr. William Bullard, Jr.
Executive Director
South Dakota Public Utilities Commission
500 E. Capitol Avenue
Pierre, South Dakota 57501

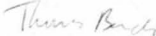
Re: CTC Communications Corp. -- SD PUC Docket TC98-198

Dear Mr. Bullard:

At the request of South Dakota Public Utilities Commission staff, enclosed are an original and 10 copies of revised original sheet nos. 11 and 12 of the proposed South Dakota Telecommunications Tariff of CTC Communications Corp. ("CTC"). We have enclosed one extra copy of the revised tariff sheets and we would appreciate if you would date-stamp that copy and return it in the enclosed self-addressed, stamped envelope.

If you have any questions regarding the enclosed tariff revisions, please contact me at the Washington, D.C. address or telephone number listed above. Thank you for your assistance with this matter.

Sincerely,



Thomas F. Bardo

TFB:tbm
Enclosures

SECTION 2 - REGULATIONS (cont'd)

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JAN 19 1995

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

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 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.

2.5.2 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

Issued:

By: David E. Mahan
Vice President
CTC Communications Corp
360 Second Avenue
Waltham, Massachusetts 02154

Effective:

SECTION 2 - REGULATIONS (cont'd)

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.

- 2.5.3** 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.

Issued:

By: David E. Mahan
Vice President
CTC Communications Corp.
360 Second Avenue
Waltham, Massachusetts 02154

Effective:

CARTER, LEDYARD & MILBURN

COUNSELLORS AT LAW
1350 I STREET, N. W.
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NEW YORK, N. Y. 10036
(212) 844-7711

January 19, 1999

RECEIVED

JAN 20 1999

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BY FEDERAL EXPRESS

Mr. William Bullard, Jr.
Executive Director
South Dakota Public Utilities Commission
500 E. Capitol Avenue
Pierre, South Dakota 57501

Re: CTC Communications Corp.
SD PUC Docket No. TC98-198

Dear Mr. Bullard:

CTC Communications Corp. ("CTC") filed an application for a certificate of authority to provide resale competitive interexchange telecommunications services in South Dakota with the South Dakota Public Utilities Commission ("Commission") on November 13, 1998. CTC currently is a publicly-traded Massachusetts company. Subject to regulatory approval, CTC plans to implement a pro forma corporate reorganization in which CTC's shareholders will exchange their shares for shares of a newly-created Delaware holding company, CTC Telecom Corp. ("CTC Telecom") on a share-for-share basis and CTC will become a wholly-owned subsidiary of CTC Telecom. Ultimately, CTC Telecom expects to change its name to CTC Communications Group, Inc. As set forth below, neither the reorganization nor the name change of the parent company will affect CTC's service or customers in South Dakota.

The reorganization is pro forma in nature because it will not alter the ultimate ownership, control or management of CTC. The same shareholders that owned and controlled CTC will own and control CTC Telecom, which will own 100 percent of the stock of CTC. The Board of Directors and executive officers of CTC also will serve as the Board of Directors and executive officers of CTC Telecom. CTC will continue to serve as the operating company, providing intrastate interexchange services to customers in South Dakota under the CTC name. Thus, the entire reorganization and the parent company's ultimate

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF) ORDER GRANTING
CTC COMMUNICATIONS CORP. FOR A) CERTIFICATE OF
CERTIFICATE OF AUTHORITY TO PROVIDE) AUTHORITY
TELECOMMUNICATIONS SERVICES IN)
SOUTH DAKOTA) TC98-198

On November 13, 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 CTC Communications Corp. (CTC).

CTC proposes to provide telecommunications service in South Dakota by reselling interexchange services offered by other interexchange carriers. Specifically, these will include message telecommunications services, WATS, 800 inbound service, calling card services and directory assistance services. A proposed tariff was filed by CTC. The Commission has classified long distance service as fully competitive.

On November 19, 1998, the Commission electronically transmitted notice of the filing and the intervention deadline of December 4, 1998, to interested individuals and entities. No petitions to intervene or comments were filed and at its regularly scheduled February 17, 1999, meeting, the Commission considered CTC's request for a certificate of authority. Commission Staff recommended granting a certificate of authority, subject to the condition that CTC 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 CTC has met the legal requirements established for the granting of a certificate of authority. CTC 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 CTC's application for a certificate of authority, subject to the condition that CTC 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 CTC's application for a certificate of authority is hereby granted, subject to the condition that CTC not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission. It is

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

Dated at Pierre, South Dakota, this 23rd day of February, 1999.

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 Alicia K. Kalk

Date 2/24/99

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

0700 • 004 • 0510

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

CERTIFICATE OF AUTHORITY

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

Authority was Granted February 17, 1999
Docket No. TC98-198

This is to certify that

CTC COMMUNICATIONS CORP.

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 23rd day of February, 1999.

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION:



James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner