

TC00-090

TC00-090

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TC00-090

DOCKET NO. _____

In the Matter of _____

IN THE MATTER OF THE
APPLICATION OF KDD AMERICA, INC.
FOR A CERTIFICATE OF AUTHORITY
TO PROVIDE TELECOMMUNICATIONS
SERVICES IN SOUTH DAKOTA

Public Utilities Commission of the State of South Dakota

DATE

MEMORANDA

6/9/00 Filed and Docketed;
8/15/00 Keeley filing;
8/25/00 Order Granting COA;
8/25/00 Docket Closed.

EARLY, LENNON, PETERS & CROCKER, P.L.C.

ATTORNEYS AT LAW

900 COMERICA BUILDING
KALAMAZOO, MICHIGAN 49007-4752
TELEPHONE (616) 381-8844
FAX (616) 349-8525

GEORGE W. LENNON
DAVID G. CROCKER
WALTER E. FISCHER, JR.
LAWRENCE M. BRENTON
GORDON C. MILLER

BLAKE D. CROCKER
ROBERT M. TAYLOR
PATRICK D. CROCKER
ANDREW J. VORBRICHT
ROBERT G. LENNON††

† Also admitted in Iowa
†† Also admitted in New York, Illinois and Washington, D.C.

RECEIVED

JUN 09 2000

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

OF COUNSEL

VINCENT T. EARLY
THOMPSON BENNETT
JOHN T. PETERS, JR.

JOSEPH J. BURGIE
(1926 - 1992)

June 8, 2000

Executive Director
South Dakota Public Utilities Commission
State Capitol
Pierre, South Dakota 57501-5070

Re: KDD AMERICA, INC.
SDPUC Docket No. _____

Dear Sir:

Enclosed for filing with the Commission please find an original and ten (10) copies of the above captioned corporation's Application for a Certificate of Authority to transact the business of a reseller of interexchange telecommunications services within South Dakota, along with a check in the amount of \$250.00 to cover filing fees relating to same.

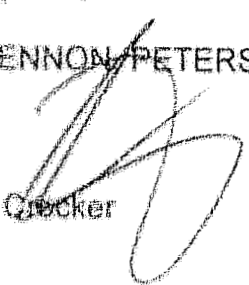
Also enclosed is an exact duplicate of this letter. Please date-stamp the duplicate and return same to me in the enclosed postage pre-paid, addressed envelope.

Should you have any questions concerning this filing, please contact me.

Very truly yours,

EARLY, LENNON, PETERS & CROCKER, P.L.C.

Patrick D. Crocker
PDC:ab



BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

TC00-090

RECEIVED

IN THE MATTER OF:

JUN 09 2000

THE APPLICATION OF **KDD AMERICA, INC.**)
FOR A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY TO TRANSACT THE BUSINESS)
OF A RESELLER OF INTEREXCHANGE)
TELECOMMUNICATIONS SERVICES AND)
FOR APPROVAL OF ITS INITIAL TARIFF)

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION
DOCKET NO. _____

APPLICATION FOR AUTHORIZATION

KDD AMERICA, INC. (hereinafter "Applicant") respectfully requests that the Public Utilities Commission of the State of South Dakota (hereinafter referred to as "Commission") grant Applicant authority pursuant to SDCL 49-31-3 and in accordance with ARSD 20:10:24:02 to provide intrastate telecommunications services to the public within South Dakota through the resale of similar services offered by other interexchange carriers ("IXCs") in the State. Applicant further requests that the Commission approve its initial proposed tariff. Applicant, for purposes of verification, and in evidence of its fitness to operate and the public need for its services, offers the following information in support of this Application:

Identification of the Applicant

1. Applicant maintains its headquarters at 375 Park Avenue, 7th Floor, New York, NY 10152.
2. Applicant is incorporated under the laws of the State of New York. A copy of the Company's Articles of Incorporation is attached hereto as **Exhibit A**. Applicant has the authority to transact business within the State of South Dakota as a foreign corporation. A copy of the qualifying document is set forth in **Exhibit B** hereto.

3. Correspondence regarding this Application should be directed to:

Patrick D. Crocker
EARLY, LENNON, PETERS & CROCKER, P.L.C.
900 Comerica Building
Kalamazoo, MI 49007-4752
(616) 381-8844

4. The name of Applicant's Registered Agent, and the address of the registered office of the corporation in South Dakota is:

Ronald D. Olinger, Esq.
117 E. Capitol
Pierre, SD 57501

Description of Authority Requested

5. Applicant seeks authority to operate as a reseller of intrastate telecommunications services to the public on a statewide basis. Applicant seeks authority to offer a full range of "1+" interexchange telecommunications services on a resale basis. Specifically, Applicant seeks authority to provide MTS, in-WATS, and out-WATS services.

6. Applicant does not intend to provide operator services, 900 or 700 services.

7. Applicant owns no transmission facilities. Applicant will offer service to its subscribers using facilities of the communications networks of Frontier, other facilities-based IXCs and the local exchange telephone companies ("LECs").

8. Applicant has no plans at this time to construct any telecommunications transmission facilities of its own and seeks no construction authority by means of this Application. Applicant will operate exclusively as a reseller.

9. Applicant will abide by all rules governing telecommunications resellers which the Commission has promulgated or may promulgate in the future, unless application of such rules is specifically waived by the Commission.

Proposed Services

10. Applicant intends to offer MTS, in-WATS, and out-WATS services to subscribers within South Dakota. Applicant combines high quality transmission services with very competitive rates, flexible end user billing, professional customer service and excellent reporting to create a unique blend which meets the individualized needs of such business customers.

11. Applicant's services are designed to be especially attractive to small and medium sized businesses.

12. Applicant's intends to engage in "switchless" resale. Applicant will arrange for the traffic of underlying subscribers to be routed directly over the networks of Applicant's network providers.

13. Applicant is committed to the use of ethical sales practices. All distributors of its products must commit in writing to market Applicant's services in a professional manner, and to fairly and accurately portray Applicant's services and the charges for them.

Description and Fitness of Applicant

14. Applicant's officers have extensive managerial, financial and technical experience with which to execute the business plan described herein. Applicant's management personnel represent a broad spectrum of business and technical disciplines, possessing many years of individual and aggregate telecommunications experience. In support of Applicant's managerial and technical ability to provide the services for which authority is sought herein, Applicant submits a description of the background and experience of its current management team as **Exhibit C**. In support of Applicant's financial ability to provide the proposed services, Applicant attaches a recent Income Statement and Balance Sheet as **Exhibit D**.

Public Interest Considerations

15. Applicant's entry into the South Dakota marketplace is in the public interest because Applicant intends to make a uniquely attractive blend of service quality, network management and reporting, and low rates available. Namely, Applicant's offering ultimately will enable small and medium businesses in South Dakota to obtain long distance services at rates which previously were available only to larger businesses.

16. In addition to the direct benefits delivered to the public by its services, Applicant's entry into the South Dakota marketplace will benefit the public indirectly by increasing the competitive pressure felt by existing IXCs, spurring them to lower costs and improve services in response.

Requested Regulatory Treatment

17. Applicant is a non-dominant reseller of interexchange telecommunications services. Applicant requests to be regulated by the Commission in the same relaxed fashion extended to other, similarly situated resellers.

Initial Proposed Tariff

18. Applicant proposes to offer service pursuant to the rules, regulations, rates and other terms and conditions included in Applicant's initial proposed tariff which is attached hereto as **Exhibit E**. Billing, payment, credit, deposit and collection terms are set forth in Applicant's proposed tariff.

19. In accordance with ARSD 20:10:24:02, Applicant provides the following information:

(1). The name, address and telephone number of Applicant:

KDD AMERICA, INC.
375 Park Avenue, 7th Floor
New York, NY 10152
(888) 533-4649

(2). Applicant shall provide services under the name:

KDD AMERICA, INC.

(3). (a) See paragraph 2 of this Application.

(b) Applicant has no principal office in South Dakota. Applicant's registered agent is set forth in paragraph 4 hereinabove.

(c) A copy of Applicant's Articles of Incorporation is attached as Exhibit A.

(d) A list of the names and addresses of Applicant's current Officers and Board of Directors:

Attached hereto as **Exhibit F**.

(e) The names of Applicant's shareholders and numbers of shares held by each:

<u>Shareholders</u>	<u>Percentage</u>
Kokusai Denshin Denwa Co., Ltd.	100%

(f) Except for the Company listed in paragraph 3.a. above, no corporation, association, or partnership owns any interest in Applicant.

(g) Applicant owns or controls no subsidiaries.

(4). Applicant is a corporation organized under the laws of New York.

(5). See paragraph 5 of the Application.

(6). See paragraph 6 of the Application.

- (7). Applicant shall offer services on all equal access areas within the State of South Dakota. Accordingly, Applicant does not attach a map describing service boundaries.
- (8). See Exhibits D and E attached hereto.
- (9). All complaints and regulatory matters should be directed to Applicant's attorney as set forth in paragraph 3 of this Application.

Applicant's Cost for Underlying Transport Services

20. Applicant proposes to resell services within South Dakota in excess of Applicant's cost of purchasing services from Applicant's underlying carrier. Applicant purchases intrastate services from Frontier for approximately \$0.07 per minute and resells to the public for approximately \$0.12 a minute.

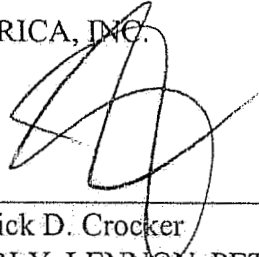
Conclusion

21. A decision by the Commission to grant Applicant a Certificate of Public Convenience and Necessity is plainly in the public interest. Applicant will introduce important new products and services at very competitive rates as well as enhance the competitiveness of the overall long distance market in South Dakota.

WHEREFORE, KDD AMERICA, INC. respectfully requests that this Commission grant it authority to transact the business of a reseller of interexchange telecommunications services within the State of South Dakota, that the Commission regulate it in a streamlined fashion, and that the Commission approve Applicant's initial proposed tariff effective on the date of the Order granting authority.

Respectfully submitted,

KDD AMERICA, INC.



By: _____

Patrick D. Crocker
EARLY, LENNON, PETERS & CROCKER, P.L.C.
900 Comerica Building
Kalamazoo, MI 49007-4752

Its: Attorneys

Dated: 6/8/70

VERIFICATION

Hiroshi Hirai, President for KDD America, Inc. first being duly sworn on oath, deposes and says that he has read the foregoing Application and verifies that the statements made therein are true and correct to the best of his knowledge, information, and belief.

KDD America, Inc.

By: H. Hirai
Hiroshi Hirai, President

The foregoing instrument was acknowledged before me this 4th day of November, 1998 by Hiroshi Hirai.

[Signature]

Notary Public
For the County of
My Commission Expires:

MICHIKO ITO CRAMPE
Notary Public, State of New York
No: 31-4792393
Qualified in New York County
Commission Expires March 30, 1999

89

EXHIBIT A

State of New York }
Department of State } ss:

I hereby certify that the annexed copy has been compared with the original document in the custody of the Secretary of State and that the same is a true copy of said original.

MAY 22 1951

Witness my hand and seal of the Department of State on



A handwritten signature in cursive script, appearing to read "J. Clark", followed by a horizontal line.

Special Deputy Secretary of State

NEXT

DOCUMENT (S)

BEST IMAGE

POSSIBLE

CONTINUATION

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RH

C028011
LIVED

Jun 28

11 07 AM '89

CERTIFICATE OF INCORPORATION
OF
KDD AMERICA, INC.

Under Section 402 of the Business Corporation
Law of the State of New York

*New York NY
6-21-89
C024082-1
Dr 6-26*

429597

STATE OF NEW YORK
DEPARTMENT OF STATE

FILED JUN 29 1989

AMT. OF CHECK \$ 130
FILING FEE \$ 10
FAX \$ _____
COUNTY FEE \$ 10
COPY \$ _____
CERT \$ _____
REFUND \$ _____
SPEC HANDLE \$ _____

BY: *[Signature]*

FILED

JUN 29 6 24 AM '89

KELLEY DRYE & WARREN
101 PARK AVENUE, NEW YORK 10178
808-7800

BILLED

201 B 0000

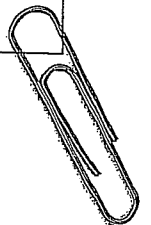
Continuation

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of pages



PH

**CERTIFICATE OF INCORPORATION
OF
KDD AMERICA, INC.**

PH

**Under Section 402 of the Business Corporation
Law of the State of New York**

The undersigned incorporator for the purpose of forming a corporation pursuant to Section 402 of the Business Corporation Law of the State of New York, hereby certifies:

FIRST: The name of the Corporation is **KDD America, Inc.**

SECOND: The purposes for which the Corporation is formed are as follows:

1. To carry on the liaison and coordination with telecommunication related organizations in the United States of America and neighboring regions on behalf and at the request of Nippon Denshin Denwa Co., Ltd. of Japan and its subsidiaries and affiliate companies.

2. To engage in research and study of policy, technology, operation and marketing of telecommunication in the United States of America and neighboring regions.

3. To carry on the business of marketing and sales of telecommunication services.

4. To conduct the business of providing assistance and consulting services to corporate telecommunication users in their use and implementation of their telecommunication networks.

5. To conduct feasibility studies for investment into telecommunication related and other businesses.

6. To invest in telecommunication related and other businesses.

7. To engage in any mercantile or trading business of any kind or character.

8. To advertise and publish brochures, promotional literature and other publications of all description in connection with the above stated purposes.

002811

0028011

0000 0000

9. To do all acts and things necessary subject to federal, state and municipal rules and regulations that may now exist or be hereafter promulgated.

10. To do such other acts and things as are permitted to corporations pursuant to Section 202 of the Business Corporations Laws, possessing and exercising each and every power enumerated in said section 202.

11. The Corporation is not formed to engaged in any act or activity for which the consent or approval of any state department, official, board, agency or other body is required and for which such consent or approval has not been obtained in support of the above purposes.

THIRD: The County within the State of New York in which the office of the Corporation is to be located is New York County.

FOURTH: The aggregate number of shares which the Corporation shall have authority to issue is two hundred (200) each of which shall be common shares without par value.

FIFTH: To the fullest extent permitted by the New York Business Corporation Law as the same exists or may hereafter be amended, a director of the Corporation shall not be liable to the Corporation or its shareholders for damages for any breach of duty as a director.

SIXTH: The Secretary of State of the State of New York is designated as the agent of the Corporation upon whom process against the Corporation may be served. The post-office address to which the Secretary of State shall mail a copy of any process against the Corporation served upon him is c/o Kelley Drye & Warren, 101 Park Avenue, New York, New York 10178, Attention: Michiko Ito Crampe.

SEVENTH: No holder of any equity shares of any class of the Corporation shall as such holder have any preemptive right to purchase any other equity shares of any class or any other shares or other securities convertible into or carrying rights or options to purchase its equity shares of any class which at any time may be sold or offered for sale by the Corporation.

IN WITNESS WHEREOF, I have made and signed this Certificate of Incorporation on this 26th day of June 1989, and I affirm the statements contained therein as true under penalties of perjury.

Michiko Ito Crampe
Kelley Drye & Warren
101 Park Avenue
New York, New York 10178

NYS DEPARTMENT OF STATE

FILING RECEIPT

NAME RESERVATION (BUSINESS)

CORPORATION NAME

EDD AMERICA, INC. (RES FOR 60 DAYS)

DATE FILED

05/21/87

DURATION & COUNTY CODE

FILE NO. RESERVATION

0024882-1

CASH NUMBER

424092

NUMBER AND KIND OF SHARES

LOCATION OF PRINCIPAL OFFICE

FOR MARK A. COHEN L.A. (SUBMIT COPY FOR FILING)

*P-H

ADDRESS FOR PROCESS

REGISTERED AGENT

FEE AND/OR TAX PAID AS FOLLOWS:

AMOUNT OF CHECK \$

AMOUNT OF MONEY ORDER \$

00030.00

AMOUNT OF CASH \$

DOLLAR FEE TO COUNTY

FILING

TAX

FILER NAME AND ADDRESS

RELLEY DRYER WARREN
101 PARK AVE

NEW YORK

NY 10178

20.00

010.00

TOTAL PAYMENT \$

CERTIFIED COPY

CERTIFICATE

MISCELLANEOUS

0000030.00

REFUND OF \$

TO FOLLOW

GAIL S SHAFFER - SECRETARY OF STATE

DOS-27 (6/74)

0000 0000

EXHIBIT B

State of South Dakota



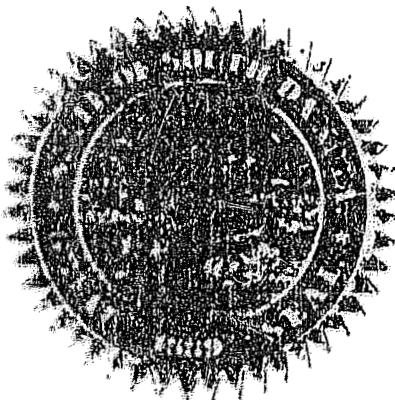
OFFICE OF THE SECRETARY OF STATE

Certificate of Authority

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

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

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 May 15, 2000.



Joyce Hazeltine

Joyce Hazeltine
Secretary of State

SECRETARY OF STATE
STATE CAPITOL
600 E. CAPITOL
PIERRE, S.D. 57501-6077
(605) 773-4845
FAX (605) 773-4550

FILE NO. _____
RECEIPT NO. _____

APPLICATION FOR CERTIFICATE OF AUTHORITY

RECEIVED
MAY 15 2000
S.D. SEC. OF STATE

Pursuant to the provisions of SDCL 47-8-7, the undersigned corporation hereby applies for a Certificate of Authority to transact business in the State of South Dakota and for that purpose submits the following statement:

(1) The name of the corporation is KDD AMERICA, INC.
(Exact corporate name)

(2) If the name of the corporation does not contain the word "corporation", "company", "incorporated" or "limited" or does not contain an abbreviation of one of such words, then the name of the corporation with the word or abbreviation which it elects to add thereto for use in this state is _____

(3) State where incorporated NEW YORK Federal Taxpayer ID# 13-3522662

(4) The date of its incorporation is 6/29/89 and the period of its duration is PERPETUAL

(5) The address of its principal office in the state or country under the laws of which it is incorporated is 375 PARK AVE., 7TH FL., NEW YORK, NY Zip Code 10152

(6) The street address, or a statement that there is no street address, of its proposed registered office in the State of South Dakota is 117 E. CAPITOL, PIERRE, SD Zip 57501
and the name of its proposed registered agent in the State of South Dakota at that address is RONALD D. OLINGER, ESQ.

(7) The purposes which it proposes to pursue in the transaction of business in the State of South Dakota are: TO CARRY ON THE BUSINESS OF MARKETING AND SALES OF TELECOMMUNICATION SERVICES

(8) The names and respective addresses of its directors and officers are:

Name	Officer Title	Street Address	City	State	Zip
SEE ATTACHED LIST					

(9) The aggregate number of shares which it has authority to issue, itemized by classes, par value of shares, shares without par value, and series, if any, within a class is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
1000	COMMON	-	without par value

(10) The aggregate number of its issued shares, itemized by classes, par value of shares, shares without par value, and series, if any, within a class, is:

Number or shares	Class	Series	Par value per share or statement that shares are without par value
526	COMMON	-	without par value

(11) The amount of its stated capital is \$ 62,590,000.00

(12) This application is accompanied by a CERTIFICATE OF FACT duly acknowledged by the secretary of state or other officer having custody of corporate records in the state or country under whose laws it is incorporated.

(13) That such corporation shall not directly or indirectly combine or make any contract with any incorporated company, foreign or domestic, through their stockholders or the trustees or assigns of such stockholders, or with any copartnership or association of persons, or in any manner whatever to fix the prices, limit the production or regulate the transportation of any product or commodity so as to prevent competition in such prices, production or transportation or to establish excessive prices therefor.

(14) That such corporation, as a consideration of its being permitted to begin or continue doing business within the State of South Dakota, will comply with all the laws of the said State with regard to foreign corporations.

The application must be signed by the chairman of the board of directors, or by the president or by another officer.

I DECLARE AND AFFIRM UNDER THE PENALTY OF PERJURY THAT THIS APPLICATION IS IN ALL THINGS, TRUE AND CORRECT.

Dated 10/27 19 99

[Signature]
 (Signature)
President
 (Title)

State of New York
 County of New York

On this 27th day of Oct, 19 99, before me Jemma Beharry personally appeared Naoki Kinoshita, known to me, or proved to me, to be the President of the corporation that is described in and that executed the within instrument and acknowledged to me that such corporation executed same.

My Commission Expires: Notary Public, State of New York
No. 01BE0003471
Qualified in Queens County (Notary Public)
 Notarial Seal: Commission Expires Dec 15 99

The Consent of Appointment below must be signed by the registered agent listed in number six.

CONSENT OF APPOINTMENT BY THE REGISTERED AGENT

I, RONALD D. OLINGER, KSO., hereby give my consent to serve as the
 (name of registered agent)
 registered agent for KDD AMERICA, INC.
 (corporate name)
 Dated 5-12-2000 2000 *[Signature]*
 (signature of registered agent)

EXHIBIT C

Background and Experience of current management of KDD America, Inc.

Hiroshi Hirai / President & CEO

Mar. 1965 Graduated from Kagawa University (Japan)
Awarded Bachelor Degree in Economics

Apr. 1966 Employed at KDD Co., Ltd.

Jul. 1991 Director
Affiliated Business Development Department
Business Development Headquarters

Aug. 1996 President & CEO
KDD America, Inc.

Akio Noraka / EVP

Mar. 1978 Graduated from Tokyo University (Japan)
Awarded Bachelor Degree in Law

Jul. 1993 Manager
Service Development Department
Telephone Services Tariff and Regulation Division

Sep. 1995 Vice President & CFO
KDD America, Inc.

Jul. 1996 EVP
KDD America, Inc.

EXHIBIT D

KDD

KDD AMERICA, INC.
(A Wholly Owned Subsidiary of
Kokusai Denshin Denwa Co., Ltd.)

Financial Statements

December 31, 1997 and 1996

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
KDD America, Inc.:

We have audited the accompanying balance sheets of KDD America, Inc. (a wholly owned subsidiary of Kokusai Denshin Denwa Co., Ltd.) as of December 31, 1997 and 1996, and the related statements of operations, stockholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, 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.

We were unable to obtain audited financial statements supporting the Company's investments in Telecomet, Inc., a 29.9%-owned affiliated company, and WorldPartners Company, a 20%-owned partnership. The investment in Telecomet, Inc. is stated at \$1,596,295 and \$1,352,722 at December 31, 1997 and 1996, respectively; the Company's reported share of income was \$243,573 and \$614,543 during 1997 and 1996, respectively. The investment in WorldPartners Company is stated at \$7,909,961 and \$962,718 at December 31, 1997 and 1996, respectively and the reported share of income was \$307,696 during 1997 and the reported share of losses was \$520,992 during 1996. We have been unable to satisfy ourselves as to the carrying values of the investments in the affiliated company and the partnership or the share of their income and losses by other auditing procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the investments in the affiliated company and the partnership and income and losses, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of KDD America, Inc. as of December 31, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

March 31, 1998

KPMG Peat Marwick LLP



KDD AMERICA, INC.
(A Wholly Owned Subsidiary of
Kokusai Denshin Denwa Co., Ltd.)

Balance Sheets

December 31, 1997 and 1996

Assets	<u>1997</u>	<u>1996</u>
Current assets:		
Cash and cash equivalents (note 1)	\$ 19,363,544	13,805,408
Accounts receivable, net of allowance for doubtful accounts of \$83,860 in 1996	692,003	616,049
Inventory	58,861	87,880
Due from parent and affiliates (note 2)	1,092,467	316,222
Due from partnership (note 4)	154,853	160,655
Prepaid income taxes	-	425,609
Prepaid expenses and other current assets	<u>265,290</u>	<u>187,108</u>
Total current assets	<u>21,627,018</u>	<u>15,598,931</u>
Investment securities (note 5)	99,926,927	65,700,000
Investment in affiliated company (note 3)	1,596,295	1,352,722
Investment in partnership (note 4)	7,909,961	962,718
Property and equipment, at cost (note 6)	8,285,034	5,041,195
Less accumulated depreciation and amortization	<u>(2,004,948)</u>	<u>(1,393,081)</u>
	6,280,086	3,648,114
Goodwill (notes 1 and 3)	707,769	767,346
Other assets	<u>71,820</u>	<u>55,258</u>
	<u>\$ 138,119,876</u>	<u>88,085,089</u>
Liabilities and Stockholder's Equity		
Current liabilities:		
Due to parent (note 2)	1,776,916	380,962
Income taxes payable	280,629	-
Accrued expenses and other current liabilities (note 7)	<u>3,404,781</u>	<u>1,847,809</u>
Total current liabilities	5,462,326	2,228,771
Deferred tax liabilities (note 8)	<u>30,710,788</u>	<u>18,244,800</u>
Total liabilities	<u>36,173,114</u>	<u>20,473,571</u>
Stockholder's equity (note 2):		
Common stock, no par value. Authorized 670 shares; issued and outstanding 606 shares in 1997 and 476 shares in 1996	60,590,000	47,590,000
Additional paid-in capital (note 3)	1,061,578	1,061,578
Net unrealized gain on investment securities (note 5)	46,066,182	27,367,200
Accumulated deficit	<u>(5,770,998)</u>	<u>(8,407,260)</u>
Total stockholder's equity	<u>101,946,762</u>	<u>67,611,518</u>
Commitment (note 10)		
	<u>\$ 138,119,876</u>	<u>88,085,089</u>

See accompanying notes to financial statements.

KDD AMERICA, INC.
(A Wholly Owned Subsidiary of
Kokusai Denshin Denwa Co., Ltd.)

Statements of Operations

Years ended December 31, 1997 and 1996

	<u>1997</u>	<u>1996</u>
Revenues:		
Service fee (note 2)	\$ 18,975,272	12,260,000
Facsimile, telegram and other services (note 2)	<u>5,352,181</u>	<u>4,090,319</u>
Total revenues	24,327,453	16,350,319
 Selling, general and administrative expenses (notes 2, 9 and 10)	 <u>22,886,359</u>	 <u>16,768,161</u>
Operating income (loss)	<u>1,441,094</u>	<u>(417,842)</u>
 Other income (expense):		
Rental income	122,400	122,400
Interest income	627,068	329,193
Share of income in investment in affiliated company (note 3)	243,573	614,543
Share of income in investment in partnership (note 4)	307,696	(520,992)
Gain on sale of partnership interest	795,741	-
Other, net (note 7)	<u>(66,393)</u>	<u>(1,444,656)</u>
	<u>2,030,085</u>	<u>(899,512)</u>
Income (loss) before income taxes	3,471,179	(1,317,354)
 Income taxes (note 8)	 <u>834,917</u>	 <u>71,012</u>
Net income (loss)	<u>\$ 2,636,262</u>	<u>(1,388,366)</u>

See accompanying notes to financial statements.

KDD AMERICA, INC.
(A Wholly Owned Subsidiary of
Kokusai Den shin Den wa Co., Ltd.)

Statements of Stockholder's Equity
Years ended December 31, 1997 and 1996

	Common stock	Additional paid-in capital	Net unrealized gain on investment securities	Accumulated deficit	Total stockholder's equity
Balance at December 31, 1995	\$ 20,590,000	1,061,578	-	(7,018,894)	14,632,684
Net loss	-	-	-	(1,388,366)	(1,388,366)
Issuance of 270 shares of common stock (note 2)	27,000,000	-	-	-	27,000,000
Unrealized gain on investment securities, net of tax effect of \$18,244,800	-	-	27,367,200	-	27,367,200
Balance at December 31, 1996	47,590,000	1,061,578	27,367,200	(8,407,260)	67,611,518
Net income	-	-	-	2,636,262	2,636,262
Issuance of 130 shares of common stock (note 2)	13,000,000	-	-	-	13,000,000
Unrealized gain on investment securities, net of tax effect of \$18,698,982	-	-	18,698,982	-	18,698,982
Balance at December 31, 1997	\$ <u>60,590,000</u>	<u>1,061,578</u>	<u>46,066,182</u>	<u>(5,770,998)</u>	<u>101,946,762</u>

See accompanying notes to financial statements.

KDD AMERICA, INC.
(A Wholly Owned Subsidiary of
Kokusai Den shin Den wa Co., Ltd.)

Statements of Cash Flows

Years ended December 31, 1997 and 1996

	<u>1997</u>	<u>1996</u>
Cash flows from operating activities:		
Net income (loss)	\$ 2,636,262	(1,388,366)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	782,874	639,340
Share of income in investment in affiliated company	(243,573)	(614,543)
Share of (income) loss in investment in partnership	(307,696)	520,992
Gain on sale of partnership interest	(795,741)	-
Loss on disposition of property and equipment	80,933	-
Changes in assets and liabilities:		
Accounts receivable	(75,954)	(221,548)
Inventory	29,019	49,736
Due from parent and affiliates	(776,245)	(126,397)
Due from partnership	5,802	(81,902)
Prepaid income taxes	425,609	(208)
Prepaid expenses and other current assets	(78,182)	(48,243)
Other assets	(16,562)	(253)
Due to parent	1,395,954	380,962
Income taxes payable	280,629	-
Accrued expenses and other current liabilities	<u>1,556,972</u>	<u>1,361,893</u>
Net cash provided by operating activities	<u>4,900,101</u>	<u>471,463</u>
Cash flows from investing activities:		
Purchase of investment securities	(3,061,957)	(20,088,000)
Purchase of property and equipment	(3,436,202)	(1,086,568)
Additional contribution to partnership	(6,800,000)	-
Proceeds from sale of partnership interest	956,194	-
Increase in goodwill arising from acquisition	<u>-</u>	<u>(117,833)</u>
Net cash used in investing activities	<u>(12,341,965)</u>	<u>(21,292,401)</u>
Cash flows from financing activity:		
Proceeds from issuance of common stock	<u>13,000,000</u>	<u>27,000,000</u>
Net increase in cash	5,558,136	6,179,062
Cash and cash equivalents at beginning of year	<u>13,805,408</u>	<u>7,626,346</u>
Cash and cash equivalents at end of year	\$ <u>19,363,544</u>	<u>13,805,408</u>
Supplementary cash flow information:		
Income taxes paid during the year	\$ <u>128,679</u>	<u>87,104</u>

See accompanying notes to financial statements.

KDD AMERICA, INC.
(A Wholly Owned Subsidiary of
Kokusai Denshin Denwa Co., Ltd.)

Notes to Financial Statements

December 31, 1997 and 1996

(I) **Organization and Summary of Significant Accounting Policies**

KDD America, Inc. (the Company) is a wholly owned subsidiary of Kokusai Denshin Denwa Co., Ltd. (the Parent), a Japanese corporation, and was incorporated on June 29, 1989 under the laws of the State of New York and began operations on October 1, 1989.

The Company is engaged in providing services for the Parent based upon service agreements. The services include liaison and coordination with telecommunications-related organizations, research and study of the telecommunications industry and sales support to the Parent.

The Company also provides other services, including private line service, Internet service, facsimile service and telegram service, in the United States.

On October 21, 1994, the Company purchased certain assets of the telecommunications service section of NetExpress, Inc. (Currently, TeleWeb) for \$1 million. The purchased assets consisted of accounts receivable that were outstanding as of October 21, 1994. The excess over purchased assets was allocated to goodwill at approximately \$769,000. The acquired assets of TeleWeb provide a telecommunications network for the transmission and delivery of facsimile documents for its customers.

Cash Equivalents

Cash equivalents of \$14,722,434 at December 31, 1997 consist of time deposits. For the purpose of the statements of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Inventory

Inventory, which is all finished goods available for sale, is stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Investment Securities

The Company's investment securities are categorized as available-for-sale securities, as defined by Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Unrealized holding gains and losses are reflected as a net amount in a separate component of stockholder's equity until realized. For the purpose of computing realized gains and losses, cost is identified on a specific identification basis.

Investment in Affiliated Company and Investment in Partnership

Investment in affiliated company and investment in partnership are accounted for by the equity method.

KDD AMERICA, INC.
 (A Wholly Owned Subsidiary of
 Kokusai Denshin Denwa Co., Ltd.)

Notes to Financial Statements, Continued

(1), Continued

Depreciation and Amortization

Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset.

Goodwill

Goodwill represents the excess of cost over the value of net assets acquired and is amortized on a straight-line basis over 15 years. As of December 31, 1997 and 1996, accumulated amortization was \$178,818 and \$119,241, respectively.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Use of Estimates

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

(2) **Related Party Transactions**

The following is a summary of transactions with the Parent and affiliates for the years ended December 31, 1997 and 1996:

	<u>1997</u>	<u>1996</u>
Service fee from the Parent	\$ 18,975,272	12,260,000
Facsimile service income from the Parent and affiliates	1,397,590	587,443
Other service income from the Parent and affiliates	424,158	-
Telecommunications-related expenses to affiliates	<u>1,991,815</u>	<u>678,638</u>

KDD AMERICA, INC.
(A Wholly Owned Subsidiary of
Kokusai Denshin Denwa Co., Ltd.)

Notes to Financial Statements, Continued

(2), Continued

Due to parent consists of advance fee income from the Parent.

The Company issued 130 shares and 270 shares of common stock to the Parent for \$13,000,000 and \$27,000,000 in 1997 and 1996, respectively.

(3) Investment in Affiliated Company

The Company initially acquired a 40% interest in Telecomet, Inc. for \$1,200,000 on December 10, 1990 and acquired an additional 9.9% interest for \$3,290,000 on November 24, 1992. In July 1994, the Parent acquired a direct interest in Telecomet, Inc. and accordingly, the Company's interest in Telecomet, Inc. was reduced to 29.9%.

As a result of the direct investment in Telecomet, Inc. by the Parent, the value of the Company's interest in Telecomet, Inc. was increased. The Company increased the investment balance during 1995 when information as to the value became available and treated this as capital contribution by increasing additional paid-in capital.

During 1996, the Company acquired certain assets of the internet service section of Telecomet, Inc., for approximately \$550,000. The purchased assets consisted of equipment, software, existing subscriber base and goodwill, which was the excess of cost over net assets acquired and amounted to approximately \$118,000.

At December 31, 1997 and 1996, the Company recorded share of income which increased the investment balance by \$243,573 and \$614,543, respectively.

Summary unaudited financial information for Telecomet, Inc. as of and for the years ended December 31, 1997 and 1996 is as follows (in thousands):

	<u>1997</u>	<u>1996</u>
Current assets	\$ 5,181	4,729
Property and equipment, net	1,978	492
Other assets, net	<u>64</u>	<u>37</u>
Total assets	\$ <u>7,223</u>	<u>5,258</u>
Liabilities	1,890	739
Stockholder's equity	<u>5,333</u>	<u>4,519</u>
Total liabilities and stockholder's equity	\$ <u>7,223</u>	<u>5,258</u>
Total revenue	\$ <u>15,212</u>	<u>14,430</u>
Net income (loss)	\$ <u>814</u>	<u>2,053</u>

KDD AMERICA, INC.
(A Wholly Owned Subsidiary of
Kokusai Denshin Denwa Co., Ltd.)

Notes to Financial Statements, Continued

(4) Investment in Partnership

On September 24, 1993, the Company acquired a 30% general partnership interest in WorldPartners Company (WPC), a partnership formed pursuant to the provisions of the State of Delaware Uniform Partnership Law. WPC was established to define, create and support commonly branded telecommunications services under the brand name of WorldSourceSM. The Company contributed \$3,461,000 on September 24, 1993 and an additional \$1,528,000 on January 27, 1994.

On September 30, 1994, the Company sold 6% of its partnership interest to a third party for \$1,110,237 and, as a result, the Company's share in WPC decreased to 24%. The excess proceeds over the book value of the sold partnership interest at the time of sale was recorded as a gain of \$451,848.

Effective January 1, 1997, the Company sold 4% of its partnership interest to an existing partner for \$956,194 and, as a result, the Company's share in WPC decreased to 20%. The excess proceeds over the book value of the sold partnership interest at the time of sale was recorded as a gain of \$795,741.

During 1997, the partners made additional contributions to WPC, and the Company contributed in the amount of \$6,800,000.

WPC's financial statements have not been audited. Summary unaudited financial information for WPC as of and for the years ended December 31, 1997 and 1996 is as follows (in thousands):

	<u>1997</u>	<u>1996</u>
Current assets	\$ 44,496	8,025
Property and equipment, net	6,949	3,865
Other assets, net	<u>154</u>	<u>308</u>
Total assets	\$ <u>51,599</u>	<u>12,198</u>
Liabilities	12,049	8,187
Partners' capital	<u>39,550</u>	<u>4,011</u>
Total liabilities and partners' capital	\$ <u>51,599</u>	<u>12,198</u>
Total revenue	\$ <u>20,876</u>	<u>13,735</u>
Net income (loss)	\$ <u>1,538</u>	<u>(2,171)</u>

KDD AMERICA, INC.
 (A Wholly Owned Subsidiary of
 Kokusai Denshin Denwa Co., Ltd.)

Notes to Financial Statements, Continued

(5) **Investment Securities**

The Company acquired 1,800,000 shares of common stock of Pacific Gateway Exchange Inc. (PGE), representing 9.5% ownership, for \$20,088,000 in July 1996. Simultaneously, the Parent entered into a cooperation agreement with PGE, which has an initial term of seven years, in order to actively seek opportunities for joint projects in the field of international telecommunications.

All investment securities are categorized as available-for-sale securities and summarized as follows:

	<u>Cost</u>	Gross unrealized holding <u>gains</u>	<u>Fair value</u>
1997:			
Investment in PGE	\$ 20,088,000	76,774,500	96,862,500
Other marketable securities	<u>3,061,957</u>	<u>2,470</u>	<u>3,064,427</u>
	<u>23,149,957</u>	<u>76,776,970</u>	<u>99,926,927</u>
1996:			
Investment in PGE	\$ <u>20,088,000</u>	<u>45,612,000</u>	<u>65,700,000</u>

(6) **Property and Equipment**

At December 31, 1997 and 1996, property and equipment at cost were as follows:

	<u>1997</u>	<u>1996</u>
Building	\$ 1,935,000	1,935,000
Machinery and equipment	2,253,944	1,754,122
Furniture and fixtures	2,051,814	978,971
Automobiles	203,747	236,081
Leasehold improvements	1,089,825	137,021
Construction in progress	<u>750,704</u>	<u>-</u>
	\$ <u>8,285,034</u>	<u>5,041,195</u>

KDD AMERICA, INC.
 (A Wholly Owned Subsidiary of
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Notes to Financial Statements, Continued

(7) Other Expense

The Company moved into new office space in August 1997, with a noncancelable office lease agreement. The noncancelable operating lease of the former office space expires April 2000. At December 31, 1996, the Company expensed the sum of the future rent payments of the former office space and the unamortized cost of the related leasehold improvements for the period from August 1997 through April 2000. Such expenses amounted to approximately \$1,460,000.

(8) Income Taxes

Income taxes consist of:

	<u>1997</u>	<u>1996</u>
Current expense:		
Federal	\$ 546,183	-
State and local	<u>288,734</u>	<u>71,012</u>
	<u>\$ 834,917</u>	<u>71,012</u>

Total income taxes differ from the amount computed by applying the U.S. Federal income tax rate of 34% at December 31, 1997 and 1996 to loss before income taxes as a result of the following:

	<u>1997</u>	<u>1996</u>
Computed expected taxes	\$ 1,180,201	(447,900)
Increase in income taxes resulting from:		
State and local income taxes, net of Federal income tax benefit	190,564	46,868
Change in valuation allowance for deferred tax assets	(520,651)	440,906
Other	<u>(15,197)</u>	<u>31,138</u>
Total income taxes	<u>\$ 834,917</u>	<u>71,012</u>

KDD AMERICA, INC.
(A Wholly Owned Subsidiary of
Kokusai Denshin Denwa Co., Ltd.)

Notes to Financial Statements, Continued

(8), Continued

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities at December 31, 1997 and 1996 are as follows:

	<u>1997</u>	<u>1996</u>
Deferred income tax assets:		
Investment in affiliated company	\$ 1,493,812	1,583,644
Investment in WPC	398,759	400,468
Net operating losses	-	710,166
Office rent accrual	948,079	616,558
Others	<u>5,712</u>	<u>56,177</u>
Total gross deferred tax assets	2,846,362	3,367,013
Valuation allowance	<u>(2,846,362)</u>	<u>(3,367,013)</u>
Net deferred tax assets	-	-
Deferred tax liabilities:		
Unrealized gain on securities, available for sale	<u>30,710,788</u>	<u>18,244,800</u>
Net deferred tax liabilities	\$ <u>30,710,788</u>	<u>18,244,800</u>

The net change in the total valuation allowance in 1997 was a decrease of \$520,651.

(9) 401(k) Retirement Plan

In 1995, the Company adopted a 401(k) retirement plan covering all employees who have satisfied the eligibility requirements. The Company's contributions to the plan are based on a percentage of annual compensation of employees eligible under the plan. The Company's contributions charged to operating expenses were \$16,081 and \$9,458 for the years ended December 31, 1997 and 1996, respectively.

KDD AMERICA, INC.
 (A Wholly Owned Subsidiary of
 Kokusai Denshin Denwa Co., Ltd.)

Notes to Financial Statements, Continued

(10) Commitment

The Company is obligated under noncancelable operating leases for office spaces. Future minimum lease payments under the noncancelable operating leases as of December 31, 1997 are as follows:

<u>Year ending December 31</u>	<u>Amount</u>
1998	\$ 1,852,444
1999	2,018,335
2000	1,636,994
2001	1,473,269
2002	1,477,969
Thereafter	<u>7,241,044</u>
Total	\$ <u>15,700,055</u>

For the years ended December 31, 1997 and 1996, rent expense amounted to \$1,649,397 and \$951,203, respectively.

(11) Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, due from parent and affiliates, due from partnership, and accrued expenses approximate fair value because of the short maturity of those instruments.

Investment securities are carried at their fair values. The fair values for investment securities are based on quoted market prices.

EXHIBIT E

SOUTH DAKOTA TELECOMMUNICATIONS TARIFF

This Tariff contains the descriptions, regulations, and rates applicable to the furnishing of service and facilities for telecommunications services within the State of South Dakota by KDD AMERICA, INC. ("Company"). This Tariff is on file with the South Dakota Public Utilities Commission, and copies may also be inspected, during normal business hours, at the following location: 375 Park Avenue, 7th Floor, New York, NY 10152.

Issued:

Effective:

Issued by: Hiroshi Hirai, President
KDD AMERICA, INC.
375 Park Avenue, 7th Floor
New York, NY 10152

CHECK SHEET

The title page and pages 1-40 inclusive of this Tariff are effective as of the date shown. Original and revised sheets, as named below, comprise all changes from the original Tariff in effect on the date indicated.

<u>SHEET</u>	<u>REVISION</u>	<u>SHEET</u>	<u>REVISION</u>
1	Original	22	Original
2	Original	23	Original
3	Original	24	Original
4	Original	25	Original
5	Original	26	Original
6	Original	27	Original
7	Original	28	Original
8	Original	29	Original
9	Original	30	Original
10	Original	31	Original
11	Original	32	Original
12	Original	33	Original
13	Original	34	Original
14	Original	35	Original
15	Original	36	Original
16	Original	37	Original
17	Original	38	Original
18	Original	39	Original
19	Original	40	Original
20	Original		
21	Original		

* New or Revised Sheets

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CONCURRING, CONNECTING AND OTHER PARTICIPATING CARRIERS

CONCURRING CARRIERS:

No Concurring Carriers

CONNECTING CARRIERS:

No Connecting Carriers

OTHER PARTICIPATING CARRIERS:

No Participating Carriers

Issued:

Effective:

Issued by: Hiroshi Hirai, President
KDD AMERICA, INC.
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TARIFF FORMAT

Sheet Numbering - Sheet numbers appear in the upper right hand corner of the page. Sheets are numbered sequentially and from time to time new pages may be added to the Tariff. When a new page is added between existing pages, a decimal is added to the preceding page number. For example, a new page added between Sheets 3 and 4 would be numbered 3.1.

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

*
1.
1.1.
1.1.A.
1.1.A.1.
1.1.A.1.(a).
1.1.A.1.(a).1.
1.1.A.1.(a).1.(i).
1.1.A.1.(a).1.(i).1).

Check Sheets - When a Tariff filing is made with the Commission, an updated check sheet accompanies the Tariff filing. The check sheet lists the pages 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. The Tariff user should refer to the latest check sheet to find out if a particular page is the most current on file with the Commission.

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Effective:

Issued by: Hiroshi Hirai, President
KDD AMERICA, INC.
375 Park Avenue, 7th Floor
New York, NY 10152

APPLICABILITY

This Tariff contains the Service offerings, rates, terms and conditions applicable to the furnishing of intrastate interexchange telecommunications services within the State of South Dakota by KDD AMERICA, INC. ("Company").

Issued:

Effective:

Issued by: Hiroshi Hirai, President
KDD AMERICA, INC.
375 Park Avenue, 7th Floor
New York, NY 10152

EXPLANATION OF SYMBOLS

- (D) To signify discontinued material
- (I) To signify a rate or charge increase
- (M) To signify material relocated without change in text or rate
- (N) To signify new material
- (R) To signify a reduction
- (T) To signify a change in text but no change in rate or regulation

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KDD AMERICA, INC.
375 Park Avenue, 7th Floor
New York, NY 10152

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1. TECHNICAL TERMS AND ABBREVIATIONS

For the purpose of this Tariff, the following definitions will apply:

Access Coordination

Provides for the design, ordering, installation, coordination, pre-service testing, service turn-up and maintenance on a Company or Customer provided Local Access Channel.

Administrative Change

A change in Customer billing address or contact name.

Alternate Access

Alternate Access is a form of Local Access except that the provider of the Service is an entity, other than the Local Exchange Carrier, authorized or permitted to provide such Service. The charges for Alternate Access may be subject to private agreement rather than published or special tariff if permitted by applicable governmental rules.

Application for Service

A standard Company order form which includes all pertinent billing, technical and other descriptive information which will enable the Company to provide a communication Service as required.

ASR

ASR (Access Service Request) means an order placed with a Local Access Provider for Local Access.

Authorized User

A person, firm, corporation or other entity that either is authorized by the Customer to receive or send communications or is placed in a position by the Customer, either through acts or omissions, to send or receive communications.

Bandwidth

The total frequency band, in hertz, allocated for a channel.

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New York, NY 10152

Bill Date

The date on which billing information is compiled and sent to the Customer.

Call

A completed connection between the Calling and Called Stations.

Called Station

The telephone number called.

Calling Station

The telephone number from which a Call originates.

Cancellation of Order

A Customer initiated request to discontinue processing a Service order, either in part or in its entirety, prior to its completion. Cancellation charges will be assessed for each Circuit-end or Dedicated Access line canceled from an order prior to its completion by the Company, under the following circumstances: (1) if the LEC has confirmed in writing to the Company that the Circuit-end or Dedicated Access line will be installed; or (2) if the Company has already submitted facilities orders to an interconnecting telephone company.

Channel or Circuit

A dedicated communications path between two or more points having a Bandwidth or Transmission Speed specified in this Tariff and selected by a Customer.

Commission

South Dakota Public Utilities Commission

Company

KDD AMERICA, INC.

Issued:

Effective:

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Company Recognized National Holidays

The following are Company Recognized National Holidays determined at the location of the originator of the Call: New Year's Day, Martin Luther King Day, President's Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veteran's Day, Thanksgiving Day, Christmas Day.

The evening rate is used unless a lower rate would normally apply. When a Call begins in one rate period and ends in another, the rate in effect in each rate period applies to the portion of the Call occurring within that rate period. In the event that a minute is split between two rate periods, the rate in effect at the start of that minute applies.

Customer

The person, firm, corporation or governmental unit which orders Service and which is responsible for the payment of charges and for compliance with the Company's Tariff regulations. A Customer is considered to be an account for billing purposes. The term Customer also includes an entity that remains presubscribed to the Company Service after its account(s) are removed from the Company's billing system, subsequently continues to use Company's network, and is billed by a local exchange carrier for such use, or otherwise uses Service for which no other Customer is obligated to compensate Company.

Customer Premises/Customer's Premises

Locations designated by a Customer where Service is originated/terminated whether for its own communications needs or for the use of its resale customers.

DCS

DCS means Digital Cross-Connect System.

Dedicated Access/Special Access

Dedicated Local Access between the Customer's Premises or serving wire center and the Company's Point-of-Presence for origination or termination of Calls.

DS-0

DS-0 means Digital Signal Level 0 Service and is a 64 Kbps signal.

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DS-1

DS-1 means Digital Signal Level 1 Service and is a 1.544 Mbps signal.

DS-0 with VF Access

DS-0 Service with VF Local Access facilities provides for the transmission of analog voice and/or data within 300 Hz to 3000 Hz frequency range.

DS-0 with DDS Access

DS-0 Service with DDS Access facilities provides for the transmission of digital data at speeds 2.4, 4.8, 9.6 or 56 Kbps.

Due Date

The Due Date is the date on which payment is due.

Expedite

A Service order initiated at the request of the Customer that is processed in a time period shorter than the Company's standard Service interval.

FCC

Federal Communications Commission

Individual Case Basis (ICB)

Individual Case Basis (ICB) determinations involve situations where complex Customer-specific Company arrangements are required to satisfactorily serve the Customer. The nature of such Service requirements makes it difficult or impossible to establish general tariff provisions for such circumstances. When it becomes possible to determine specific terms and conditions for such offerings, they will be offered pursuant to such terms and conditions.

Installation

The connection of a Circuit, Dedicated Access line, or port for new, changed or an additional Service.

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Interexchange Service

Interexchange Service means that portion of a communications channel between a Company-designated Point-of-Presence in one exchange and a Point-of-Presence in another exchange.

Interruption

Interruption shall mean a condition whereby the Service or a portion thereof is inoperative, beginning at the time of notice by the Customer to Company that such Service is inoperative and ending at the time of restoration.

Kbps

Kilobits per second.

LATA (Local Access Transport Area)

A geographical area established for the provision and administration of communications Service of a local exchange company.

Local Access

Local Access means the Service between a Customer Premises and a Company designated Point-of-Presence.

Local Access Provider

Local Access Provider means an entity providing Local Access.

Local Exchange Carrier (LEC)

The local telephone utility that provides telephone exchange services.

Mbps

Megabits per second.

Multiplexing

Multiplexing is the sequential combining of lower bit rate Private Line Services onto a higher bit rate Private Line Service for more efficient facility capacity usage or vice versa.

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NA

Not available.

Nonrecurring Charges

Nonrecurring Charges are one-time charges.

Payment Method

The manner which the Customer designates as the means of billing charges for Calls using the Company's Service.

Physical Change

The modification of an existing Circuit, Dedicated Access line or port, at the request of the Customer, requiring some Physical Change or retermination.

Point-of-Presence (POP)

A Company-designated location where a facility is maintained for the purpose of providing access to its Service.

Primary Route

The route which, in the absence of Customer-designated routing or temporary re-routing, would be used by the Company in the provision of Service.

Private Line

A dedicated transmission channel furnished to a customer without intermediate switching arrangements for full-time customer use.

Private Line Service

A dedicated full-time transmission Service utilizing dedicated access arrangements.

Rate Center

A specified geographical location used for determining mileage measurements.

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Requested Service Date

The Requested Service Date is the date requested by the Customer for commencement of Service and agreed to by the Company.

Restore

To make Service operative following an interruption by repair, reassignment, re-routing, substitution of component parts, or otherwise, as determined by the carrier(s) involved.

Route Diversity

Two channels which are furnished partially or entirely over two physically separate routes.

Service

Service means any or all Service(s) provided pursuant to this Tariff.

Service Commitment Period

The term elected by the Customer and stated on the Service order during which the Company will provide the Services subscribed to by the Customer. The term can be monthly or in the case of Private Line Services for a period of up to 5 years.

Special Promotional Offerings

Special trial offerings, discounts, or modifications of its regular Service offerings which the Company may, from time to time, offer to its Customers for a particular Service. Such offerings may be limited to certain dates, times, and locations.

Start of Service Date

The Requested Service Date or the date Service first is made available by the Company whichever is later.

Tariff

The current Intrastate Services Tariff and effective revisions thereto filed by the Company with the Commission.

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Transmission Speed

Data transmission speed or rate, in bits per seconds (bps).

Two-Way Conversation

A Two-Way Conversation is a telephone conversation between or among two or more parties.

VF

VF is voice frequency or voice-grade Service designed for private-line Service. Normal transmission is in the 300 hertz to 3000 hertz frequency band.

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2. RULES AND REGULATIONS2.1. Description and Limitations of Services

2.1.1. Intrastate Telecommunications Service ("Service") is the furnishing of Company communication Services contained herein between specified locations under the terms of this Tariff.

2.1.2. Any member of the general public (including any natural person or legally organized entity such as a corporation, partnership, or governmental body) is entitled to obtain Service under this Tariff, provided that the Company reserves the right to deny Service: (A) to any Customer that, in the Company's reasonable opinion, presents an undue risk of nonpayment, (B) in circumstances in which the Company has reason to believe that the use of the Service would violate the provisions of this Tariff or any applicable law or if any applicable law restricts or prohibits provision of the Service, or (C) if insufficient facilities are available to provide the Service (in such cases Company shall make best efforts to accommodate the needs of all potential Customers by means of facility improvements or purchases, of capacity, if such efforts will, in the Company's opinion, provide the Company with a reasonable return on its expenditures), but only for so long as such unavailability exists.

2.1.3. Company, when acting at the Customer's request and as its authorized agent, will make reasonable efforts to arrange for Service requirements, such as special routing, Diversity, Alternate Access, or circuit conditioning.

2.1.4. Service is offered in equal access exchanges subject to the availability of facilities and the provisions of this Tariff. Company reserves the right to refuse to provide Service to or from any location where the necessary facilities and/or equipment are not available.

2.1.5. Service may be discontinued after five business days written notice to the Customer if:

2.1.5.A. the Customer is using the Service in violation of this Tariff; or

2.1.5.B. the Customer is using the Service in violation of the law or Commission regulation.

2.1.6. Service begins on the date that billing becomes effective and is provided on the basis of a minimum period of at least one month, 24 hours per day. For the purposes of computing charges in this Tariff, a month is considered to have 30 days.

2.1.7. Service will be provided until canceled, by the Customer on not less than thirty (30) days' written notice from the date of postmark on the letter giving notice of cancellation.

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2.18. Nothing herein, or in any other provision of this Tariff, or in any marketing materials issued by the Company shall give any person any ownership, interest, or proprietary right in any code or 800 number issued by the Company to its Customers.

2.19. The Company reserves the right to discontinue furnishing Services or billing options, upon written notice, when necessitated by conditions beyond its control. Conditions beyond the Company's control include, but are not limited to, a Customer's having Call volume or a calling pattern that results, or may result, in network blockage or other Service degradation which adversely affects Service to the calling party, the Customer, or other Customers of the Company.

2.10. Except as otherwise provided in this Tariff or as specified in writing by the party entitled to receive Service, notice may be given orally or in writing to the persons whose names and business addresses appear on the executed Service order and the effective date of any notice shall be the date of delivery of such notice, not the date of mailing. By written notice, Company or Customer may change the party to receive notice and/or the address to which such notice is to be delivered. In the event no Customer or Company address is provided in the executed Service order, notice shall be given to the last known business address of Customer or, as appropriate.

2.1. Other Terms and Conditions

2.11. The name(s) of the Customer(s) desiring to use the Service must be stipulated in the Application for Service.

2.12. The Customer agrees to operate the Company provided equipment in accordance with instructions of the Company or the Company's agent. Failure to do so will void the Company liability for interruption of Service and may make Customer responsible for damage to equipment pursuant to Section 2.2.3 below.

2.13. Customer agrees to return to the Company all Company-provided equipment delivered to Customer within five (5) days of termination of the Service in connection with which the equipment was used. Said equipment shall be in the same condition as when delivered to Customer, normal wear and tear only excepted. Customer shall reimburse the Company upon demand, for any costs incurred by the Company due to Customer's failure to comply with this provision.

2.14. A Customer shall not use any service-mark or trademark of the Company or refer to the Company in connection with any product, equipment, promotion, or publication of the Customer without prior written approval of the Company.

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- 2.2.5. In the event suit is brought or any attorney is retained by the Company to enforce the terms of this Tariff, the Company shall be entitled to recover, in addition to any other remedy, reimbursement for reasonable attorneys' fees, court costs, costs of investigation and other related expenses incurred in connection therewith.
- 2.2.6. The provision of Service will not create a partnership or joint venture between the Company and the Customer nor result in joint Service offerings to their respective Customers.
- 2.2.7. The rate or volume discount level applicable to a Customer for a particular Service or Services shall be the rate or volume discount level in effect at the beginning of the monthly billing period applicable to the Customer for the particular Service or Services. When a Service is subject to a minimum monthly charge, account charge, port charge or other recurring charge or Nonrecurring Charge for both intrastate and interstate Service, only one such charge shall apply per account and that charge shall be the interstate charge.
- 2.2.8. Service requested by Customer and to be provided pursuant to this Tariff shall be requested on Company Service Order forms in effect from time to time or Customer's forms accepted in writing by an authorized headquarters representative of the Company (collectively referred to as "Service Orders").
- 2.2.9. If an entity other than the company (e.g., another carrier or a supplier) imposes charges on the Company in connection with a Service that entity's charges will be passed through to the Customer also.
- 2.2.10. The Service Commitment Period for any Service shall be established by the Service Order relevant thereto and commence on the Start of Service Date. Upon expiration, each Service Commitment Period for such Service shall automatically be extended subject to written notice of termination by either Company or Customer as of a date not less than thirty (30) days after delivery of said notice to the other. The charges for Interexchange Service during any such extension shall not exceed the then current Company month-to-month charges applicable to such Service.

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2.3. Liability

- 2.3.1. Except as provided otherwise in this Tariff, the Company shall not be liable to Customer or any other person, firm or entity for any failure of performance hereunder if such failure is due to any cause or causes beyond the reasonable control of the Company. Such causes shall include, without limitation, acts of God, fire, explosion, vandalism, cable cut, storm or other similar occurrence, any law, order, regulation, direction, action or request of the United States government or of any other government or of any civil or military authority, national emergencies, insurrections, riots, wars, strikes, lockouts or work stoppages or other labor difficulties, supplier failures, shortages, breaches or delays, or preemption of existing Services to restore service in compliance with Part 64, Subpart D, Appendix A, of the FCC's Rules and Regulations.
- 2.3.2. The Company is not liable for any act or omission of any other company or companies (including any Company affiliate that is a participating or concurring carrier) furnishing a portion of the Service or facilities, equipment, or Services associated with such Service.
- 2.3.3. The Customer is responsible for taking all necessary legal steps for interconnecting the Customer provided terminal equipment with the Company facilities. The Customer shall ensure that the signals emitted into the Company's network do not damage Company equipment, injure personnel or degrade Service to other Customers. The Customer is responsible for securing all licenses, permits, rights-of-way, and other arrangements necessary for such interconnection. In addition, the customer shall comply with applicable LEC signal power limitations.
- 2.3.4. The Company may rely on Local Exchange Carriers or other third parties for the performance of other Services such as Local Access. Upon Customer request and execution and delivery of appropriate authorizing documents, the Company may act as agent for Customer in obtaining such other Services. Customer's liability for charges hereunder shall not be reduced by untimely Installation or non-operation of Customer provided facilities and equipment.
- 2.3.5. The failure to give notice of default, to enforce or insist upon compliance with any of the terms or conditions herein, the waiver of any term or conditions herein, or the granting of an extension of time for performance by the Company or the Customer shall not constitute the permanent waiver of any term or condition herein. Each of the provisions shall remain at all time in full force and effect until modified in writing.

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2.3.6. In the event parties other than Customer (e.g., Customer's customers) shall have use of the Service directly or indirectly through Customer, then Customer agrees to forever indemnify and hold Company and any affiliated or unaffiliated third-party, third-party provider or operator of facilities employed in provision of the Service harmless from and against any and all claims, demands, suits, actions, losses, damages, assessments or payments which may be asserted by said parties arising out of or relating to any Defects.

2.3.7. In the event that Company is required to perform a Circuit redesign due to inaccurate information provided by the Customer; or, circumstances in which such costs and expenses are caused by the Customer or reasonably incurred by the Company for the benefit of the Customer, the Customer is responsible for the payment of all such charges.

2.4. Cancellation of Service by a Customer

2.4.1. If a Customer cancels a Service Order before the Service begins, before completion of the Minimum Period, or before completion of some other period mutually agreed upon by the Customer and the Company, a charge will be levied upon the Customer for the nonrecoverable portions of expenditures or liabilities incurred expressly on behalf of the Customer by the Company and not fully reimbursed by Installation and monthly charges. If, based on a Service order by a Customer, any construction has either begun or been completed, but no Services provided, the nonrecoverable costs of such construction shall be borne by the Customer.

2.4.2. Upon thirty (30) days' prior written notice, either Customer or Company shall have the right, without cancellation charge or other liability, to cancel the affected portion of the Service, if the Company is prohibited by governmental authority from furnishing said portion, or if any material rate or term contained herein and relevant to the affected Service is substantially changed by order of the highest court of competent jurisdiction to which the matter is appeal, the Federal Communications Commission, or other local, state or federal government authority.

2.5. Cancellation for Cause by the Company

2.5.1. Upon nonpayment of any sum owing to the Company, or upon a violation of any of the provisions governing the furnishing of Service under this Tariff, the Company may, upon five business days written notification to the Customer, except in extreme cases, without incurring any liability, immediately discontinue the furnishing of such Service. The written notice may be separate and apart from the regular monthly bill for service. Customer shall be deemed to have canceled Service as of the date of such disconnection and shall be liable for any cancellation charges set forth in this Tariff.

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2.5.2. Without incurring any liability, the Company may discontinue the furnishing of Service(s) to a Customer upon five business days written notice if the Company deems that such action is necessary to prevent or to protect against fraud or to otherwise protect its personnel, agents, facilities or Services under the following circumstances, except under extreme cases where the customer may be disconnected immediately and without notice:

2.5.2.A. if the Customer refuses to furnish information to the Company regarding the Customer's credit-worthiness, its past or current use of common carrier communications Services or its planned use of Service(s);

2.5.2.B. if the Customer provides false information to the Company regarding the Customer's identity, address, credit-worthiness, past or current use of Customer communications Services, or its planned use of the Company Service(s);

2.5.2.C. if the Customer states that it will not comply with a request of the Company for reasonable security for the payment for Service(s);

2.5.2.D. if the Customer has been given five business days written notice in a separate mailing by the Company of any past due amount (which remains unpaid in whole or in part) for any of the Company's communications Services to which the Customer either subscribes or had subscribed or used;

2.5.2.E. in the event of unauthorized use.

2.5.2.F. Following the disconnection of service for any of these reasons, the Company or the local exchange utility acting as Company agent, will notify the telephone user/customer that service was disconnected and why. The notice will include all reasons for the disconnection and will include a toll-free number where an end user/customer can obtain additional information. Notice shall be deemed given upon deposit, postage prepaid, in the U.S. Mail to the end user's/customer's last known address and in compliance with the Commission's rules.

2.5.3. The discontinuance of Service(s) by the Company pursuant to this Section does not relieve the Customer of any obligations to pay the Company for charges due and owing for Service(s) furnished up to the time of discontinuance. The remedies set forth herein shall not be exclusive and the Company shall at all times be entitled to all rights available to it under either law or equity.

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2.6. Credit Allowance

- 2.6.1. Credit allowance for the interruption of Service is subject to the general liability provisions set forth in this Tariff. Customers shall receive no credit allowance for the interruption of service which is due to the Company's testing or adjusting, negligence of the Customer, or to the failure of channels or equipment provided by the Customer. The Customer should notify the Company when the Customer is aware of any interruption in Service for which a credit allowance is desired. Before giving such notice, the Customer shall ascertain that the trouble is not being caused by any action or omission within Customer's control, or is not in wiring or equipment, if any, furnished by the Customer in connection with the Company's Services.
- 2.6.2. No credit is allowed in the event service must be interrupted in order to provide routine service quality or related investigations.
- 2.6.3. No credit shall be allowed:
- 2.6.3.A. For failure of services or facilities of Customer; or
 - 2.6.3.B. For failure of services or equipment caused by the negligence or willful acts of Customer.
- 2.6.4. Credit for an interruption shall commence after Customer notifies Company of the interruption and ceases when services have been restored.
- 2.6.5. Credits are applicable only to that portion of Service interrupted.
- 2.6.6. For purposes of credit computation, every month shall be considered to have 720 hours.
- 2.6.7. No credit shall be allowed for an interruption of a continuous duration of less than two hours.
- 2.6.8. The Customer shall be credited for an interruption of two hours or more at a rate of 1/720th of the monthly recurring charge for the service affected for each hour or major fraction thereof that the interruption continues. Calculations of the credit shall be made in accordance with the following formula.

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Credit Formula:

$$\text{Credit} = \frac{A \times B}{720}$$

"A" = outage time in hours

"B" = total monthly charge for affected facility

2.7. Use of Service

- 2.7.1 The Services offered herein may be used for any lawful purpose, including residential, business, governmental, or other use. There are no restrictions on sharing or resale of Services. However, the Customer remains liable for all obligations under this Tariff notwithstanding such sharing or resale and regardless of the Company's knowledge of same. The Company shall have no liability to any person or entity other than the Customer and only as set forth in Section 2.3. The Customer shall not use nor permit others to use the Service in a manner that could interfere with Services provided to others or that could harm the facilities of the Company or others.
- 2.7.2 Service furnished by the Company may be arranged for joint use or authorized use. The joint user or Authorized User shall be permitted to use such Service in the same manner as the Customer, but subject to the following:
- 2.7.2.A. One joint user or Authorized User must be designated as the Customer.
- 2.7.2.B. All charges for the Service will be computed as if the Service were to be billed to one Customer. The joint user or Authorized User which has been designated as the Customer will be billed for all components of the Service and will be responsible for all payments to the Company. In the event that the designated Customer fails to pay the Company, each joint user or Authorized User shall be liable to the Company for all charges incurred as a result of its use of the Company's Service.
- 2.7.3. In addition to the other provisions in this Tariff, Customers reselling Company Services shall be responsible for all interaction and interface with their own subscribers or customers. The provision of the Service will not create a partnership or joint venture between Company and Customer nor result in a joint communications Service offering to the Customers of either the Company or the Customer.
- 2.7.4. Service furnished by the Company shall not be used for any unlawful or fraudulent purposes.

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2.7.5. The Customer will be billed directly by the LEC for certain Dedicated Access arrangements selected by the Customer for the provisioning of direct access arrangements. In those instances where the Company at the Customer's request may act as agent in the ordering of such arrangements, the Company will bill the Customer Local Access charges.

2.8. Payment Arrangements

2.8.1. The Customer is responsible for payment of all charges for Services furnished to the Customer or its joint or Authorized Users. This responsibility is not changed due to any use, misuse, or abuse of the Customer's Service or Customer provided equipment by third parties, the Customer's employees, or the public.

2.8.2. The Company's bills are due upon receipt. Amounts not paid within 30 days from the Bill Date of the invoice will be considered past due. Customers will be assessed a late fee on past due amounts in the amount not to exceed the maximum lawful rate under applicable state law. If a Customer presents an undue risk of nonpayment at any time, the Company may require that Customer to pay its bills within a specified number of days and to make such payments in cash or the equivalent of cash.

2.8.3. In determining whether a Customer presents an undue risk of nonpayment, the Company shall consider the following factors: (A) the Customer's payment history (if any) with the Company and its affiliates, (B) Customer's ability to demonstrate adequate ability to pay for the Service, (C) credit and related information provided by Customer, lawfully obtained from third parties or publicly available, and (D) information relating to Customer's management, owners and affiliates (if any).

2.8.4. Disputes with respect to charges must be presented to the Company in writing within thirty days from the date the invoice is rendered or such invoice will be deemed to be correct and binding on the Customer.

2.8.5. If a LEC has established or establishes a Special Access surcharge, the Company will bill the surcharge beginning on the effective date of such surcharge for Special Access arrangements presently in Service. The Company will cease billing the Special Access surcharge upon receipt of an Exemption Certificate or if the surcharge is removed by the LEC.

2.8.6. In the event the Company incurs fees or expenses, including attorney's fees, in collecting, or attempting to collect, any charges owed the Company, the Customer will be liable to the Company for the payment of all such fees and expenses reasonably incurred.

2.8.7. Company will not require deposits or advance payments by Customers for Services.

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2.9. Assignment

2.9.1. The obligations set forth in this Tariff shall be binding upon and inure to the benefit of the parties hereto and their respective successors or assigns, provided, however, the Customer shall not assign or transfer its rights or obligations without the prior written consent of the Company.

2.10. Tax and Fee Adjustments

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

2.10.2. If at any future time a municipality acquires the legal right to impose an occupation tax, license tax, permit fee, franchise fee or other similar charge upon the Carrier, and imposes the same by ordinance or otherwise, such taxes, fees or charges shall be billed to the end users receiving service within the territorial limits of such municipality. Such billing shall allocate the tax, fee or charge among end users uniformly on the basis of each end user's monthly charges for the types of service made subject to such tax, fee or charge.

2.10.3. If at any future time a county or other local taxing authority acquires the legal right to impose an occupation tax, license tax, permit fee, franchise fee or other similar charge upon the Carrier, and imposes the same by ordinance or otherwise, such taxes, fees or charges shall be billed to the end users receiving service within the territorial limits of such county or other taxing authority. Such billing shall allocate the tax, fee or charge among end users uniformly on the basis of each end user's monthly charges for the types of service made subject to such tax, fee or charge.

2.10.4. When utility or telecommunications assessments, franchise fees, or privilege, license, occupational, excise, or other similar taxes or fees, based on interstate or intrastate receipts are imposed by certain taxing jurisdictions upon the Company or upon local exchange companies and passed on to the Company through or with interstate or intrastate access charges, the amounts of such taxes or fees will be billed to Customers in such a taxing jurisdiction on a prorated basis. The amount of charge that is prorated to each Customer's bill is determined by the interstate or intrastate telecommunications service provided to and billed to an end user/customer service location in such a taxing jurisdiction with the aggregate of such charges equal to the amount of the tax or fee imposed upon or passed on to the Company.

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2.10.5. When any municipality, or other political subdivision, local agency of government, or department of public utilities imposes upon and collects from the Company a gross receipts tax, occupation tax, license tax, permit fee, franchise fee or regulatory fee, such taxes and fees shall, insofar as practicable, be billed pro rata to the Company's Customers receiving service within the territorial limits of such municipality, other political subdivision, local agency of government, or public utility commission.

2.10.6. The Company may adjust its rates and charges or impose additional rates and charges on its Customers in order to recover amount it is required by governmental or quasi-government authorities to collect from or pay to others in support of statutory or regulatory programs. Examples of such programs include, but are not limited to, the Universal Service Fund, the Primary Interexchange Carrier Charge, and compensation to payphone service providers for use of their payphones to access the Company's services.

2.11. Method for Calculation of Airline Mileage

2.11.1. The airline mileage between two cities can be calculated using the Vertical (V) and Horizontal (H) coordinates of the serving wire centers associated with the Company's POP locations. The method for calculating the airline mileage is obtained by reference to AT&T's Tariff F.C.C. No. 10 in accordance with the following formula:

$$\text{the square root of: } \frac{(V1-V2)^2 + (H1-H2)^2}{10}$$

where V1 and H1 correspond to the V&H coordinates of City 1 and V2 and H2 correspond to the V&H coordinates of City 2.

Example:	<u>V</u>	<u>H</u>
City 1	5004	1406
City 2	5987	3424

$$\text{the square root of: } \frac{(5004-5987)^2 + (1406-3424)^2}{10}$$

The result is 709.83 miles. Any fractional miles are rounded to the next higher whole number; therefore, the airline mileage for this example is 710 miles.

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2.12. Time of Day Rate Periods

2.12.1. Time of Day Rate Periods are determined by the time of day at the location of the Calling Station.

The rates shown in Section 4 apply as follows:

DAY: From 8:01 AM to 5:00 PM Monday - Friday

EVENING: From 5:01 PM to 11:00 PM Monday - Friday and Sunday

NIGHT/
WEEKEND: From 11:01 PM to 8:00 AM Everyday
From 8:01 AM to 11:00 PM Saturday
From 8:01 AM to 5:00 PM Sunday

2.13. Special Customer Arrangements

2.13.1. In cases where a Customer requests a special or unique arrangement which may include engineering, conditioning, installation, construction, facilities, assembly, purchase or lease of facilities and/or other special Services not offered under this Tariff, the Company, at this option, may provide the requested Services. Appropriate recurring charges and/or Nonrecurring Charges and other terms and conditions will be developed for the Customer for the provisioning of such arrangements.

2.14. Inspection

2.14.1. The Company may, upon notice, make such tests and inspections as may be necessary to determine that the requirements of this Tariff are being complied with in the installation, operation or maintenance of Customer or the Company equipment. The Company may interrupt the Service at any time, without penalty to the Company, should Customer violate any provision herein.

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Issued by: Hiroshi Hirai, President
KDD AMERICA, INC.
375 Park Avenue, 7th Floor
New York, NY 10152

Effective:

2.15. Customer Inquires and Complaints

2.15.1. Customers may direct inquiries and complaints to the Company or the Commission by using the address and toll free number set forth below:

KDD AMERICA, INC.
375 Park Avenue, 7th Floor
New York, NY 10152
(888) 533-4649

South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol Avenue
Pierre, South Dakota 57501
(800) 332-1782

Issued:

Effective:

Issued by: Hiroshi Hirai, President
KDD AMERICA, INC.
375 Park Avenue, 7th Floor
New York, NY 10152

1. DESCRIPTION OF SERVICES

3.1. Wide Area ("WATS") and Message ("MTS") Toll Services

3.1.1. The Company offers WATS and MTS intrastate interexchange long distance service utilizing switched or dedicated access arrangements between the Customer's Premises and the Company's facilities for call origination. Call termination is completed through a combination of Company facilities and LEC switched access arrangements.

3.2. Switched Dial Service

3.2.1. The Company's Switched Dial Service is an intrastate service designed for outbound calling over switched access facilities. Calls are billed in sixty (60) second increments with an initial billing period of sixty (60) seconds. Calls are not mileage-sensitive or time-of-day sensitive. A monthly service charge applies per presubscribed number of account.

3.3. Switched Toll-free Service

3.3.1. The Company's Switched Toll-free Service is available to the Switched Outbound Service user for incoming calls. Calls originate from any interstate or intrastate location over a toll free number and terminate to a Customer-provided switched access line. Call charges are billed to the Subscriber rather than to the originating caller. Calls are billed in sixty (60) second increments with an initial billing period of sixty (60) seconds. A monthly service charge applies per toll free number.

3.4. Dedicated Outbound Service

3.4.1. The Company's Dedicated Outbound Service is an intrastate service designed primarily for business customers. Calls are billed in six (6) second increments with an initial billing period of thirty (30) seconds. Calls originate from Customer-provided dedicated access lines. Calls are not mileage-sensitive or time-of-day sensitive. A monthly service charge applies per dedicated access line.

3.5. Dedicated Toll-free Service

3.5.1. The Company's Dedicated Toll-free Service is available to the Dedicated Outbound Service user for incoming calls. Calls originate from any interstate or intrastate location over a toll free number and terminate to a customer-provided dedicated access line. Call charges are billed to the Subscriber rather than to the originating caller. Calls are billed in six (6) second increments with an initial billing period of thirty (30) seconds. Calls are terminated to Customer-provided dedicated access line. Calls are not mileage-sensitive or time-of-day sensitive. A monthly service charge applies per toll free number.

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3.6. Casual Call Service

3.6.1. The Company's Casual Call Service is an intrastate service designed for 10XXXXXX access code outbound calling over switched access facilities. Calls are billed in sixty (60) second increments with an initial billing period of sixty (60) seconds. Calls are not mileage-sensitive or time-of-day sensitive.

3.7. Timing of Calls

3.7.1. Long distance usage charges are based on the actual usage of the Company network. Chargeable time begins when a connection is established between the Calling Station and the Called Station. Chargeable time ends when either party "hangs up" thereby releasing the network connection.

3.7.2. The minimum call duration and usage measurement for billing purposes is specified in the service description for each service.

3.8. Minimum Call Completion Rate

3.8.1. A Customer can expect a call completion rate of not less than 90% during peak use periods for all Feature Group D services.

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KDD AMERICA, INC.
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New York, NY 10152

4. RATES AND CHARGES

4.1. Usage Rates

4.1.1. The following are the per minute usage charges which apply to all calls.

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KDD AMERICA, INC.
375 Park Avenue, 7th Floor
New York, NY 10152

4.2. Switched Dial Service Usage Rates**BUSINESS DAY**
EVENING/NIGHT/WEEKEND

Mileage	Initial 60 Seconds	Additional 60 Seconds
AM	0.120	0.120

Monthly Service Charge: \$3.00
(per presubscribed account or number)

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KDD AMERICA, INC.
375 Park Avenue, 7th Floor
New York, NY 10152

4.3. Switched Toll-free Service Usage Rates**BUSINESS DAY**
EVENING/NIGHT/WEEKEND

Mileage	Initial 60 Seconds	Additional 60 Seconds
All	0.150	0.150

Monthly Service Charge: \$3.00
(per toll free number)

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KDD AMERICA, INC.
375 Park Avenue, 7th Floor
New York, NY 10152

4.4. Dedicated Outbound Service Usage Rates

BUSINESS DAY
EVENING/NIGHT/WEEKEND

<u>Mileage</u>	<u>Initial 30 Seconds</u>	<u>Additional 6 Seconds</u>
All	0.035	0.007

Installation Charge: \$300.00
Monthly Service Charge: \$500.00
(per dedicated access line)

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KDD AMERICA, INC.
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New York, NY 10152

4.5. Dedicated Toll-free Service Usage Rates**BUSINESS DAY**
EVENING/NIGHT/WEEKEND

Mileage	Initial 30 Seconds	Additional 6 Seconds
All	0.050	0.010

Monthly Service Charge: \$500.00
(per toll free number)

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KDD AMERICA, INC.
375 Park Avenue, 7th Floor
New York, NY 10152

4.6 Casual Call Service

BUSINESS DAY
EVENING/NIGHT/WEEKEND

Mileage	Initial 60 Seconds	Additional 60 Seconds
All	0.120	0.120

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Issued by: Hiroshi Hirai, President
KDD AMERICA, INC.
375 Park Avenue, 7th Floor
New York, NY 10152

4.7. Special Promotional Offering

4.7.1. The Company may from time to time engage in Special Promotional Offerings or Trial Service Offerings limited to certain dates, times or locations designed to attract new subscribers or increase subscriber usage when approved by Commission. Company will not have special promotional offerings for more than 90 days in any 12 month period. In all such cases, the rates charged will not exceed those specified in Section 4 hereof.

4.8. Emergency Calls

4.8.1. Customer shall configure its PBX or other switch vehicle from which a customer places a call so that 911 emergency calls, where available, and similar emergency calls will be automatically routed to the emergency answering point for the geographical location where the call originated without the intervention of Company.

4.9. Payphone Use Service Charge

4.9.1. A Payphone Use Service Charge applies to each completed interLATA and intralATA non-sent paid message made over a pay phone owned by a utility or Customer Owned Pay Telephone (COPT) Service. This includes calling card service, collect calls, calls billed to a third number, completed calls to Directory Assistance and Prepaid Card Service calls. This charge is collected on behalf of the pay phone owner. All Customers will pay the Company a per call service charge of \$0.30.

4.10. Universal Connectivity Charge

4.10.1. Services provided pursuant to this tariff are subject to an undiscountable monthly Universal Connectivity Charge. This monthly service charge is equal to 4.9% of the Customer's total net intrastate, interstate and international charges, after application of all applicable discounts and credits.

4.10.1.A. The Company will waive the Universal Connectivity Charge with respect to specifically identified Company charges to the extent that the Customer demonstrates to the Company's reasonable satisfaction that:

1. the Customer has filed a Universal Service Worksheet with the Universal Service Administrator covering the twelfth month prior to the month for which the Customer seeks the waiver;
2. the charges with respect to which the waiver is sought are for services purchased by Customer for resale; and

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New York, NY 10152

- 3. the Customer will file a Universal Service Worksheet with the Universal Service Administrator in which the reported billed revenues will include all billed revenues associated with the Customer's resale of services purchased from the Company.

4.10.1.B. The Universal Connectivity Charge will not be waived with respect to:

- 1. charges for services purchased by the Customer for its own use as an end user; or
- 2. charges for which the bill date is on, prior to, or within fifteen days after, the date on which the Customer applies for a waiver with respect to those charges.

4.11. Carrier Line Charge

4.11.1. Customers of the Company's outbound service contained in this Tariff are subject to an undiscountable Carrier Line Charge. The Carrier Line Charge is a per line (local exchange carrier provided switched access line) monthly charge. The Carrier Line Charge is as follows:

Monthly per line charge

Single Line Residential	\$0.53
Single Line Business	\$0.53
Multi-Line Residential	\$1.50
Multi-Line Business	\$2.75

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Issued by: Hiroshi Hirai, President
KDD AMERICA, INC.
375 Park Avenue, 7th Floor
New York, NY 10152

EXHIBIT F

Name	Title	Address
Hiroshi Hirai	President/CEO	415 East 54th Street Apt. #24G, New York, NY 10022
Akio Nozaka	EVP	146 West 57th Street Apt. #45C, New York, NY 10019
Susumu Fujioka	EVP	27 Aurora Dr. Rolling Hills Estate, CA 90274
Tsutomu Tashiro	EVP	706 Ridge Dr., Maclean, VA 22101
Makoto Arai	VP	94 White Oak Ridge Rd. Short Hills, NJ 07078
Mamoru Hironaka	Director	6 Hearthstone Circle, Scarsdale, NY 10583
Yasuhiro Shintani	Director	150 West 56 Street, #4103, New York, NY 10019
Nanyoshi Tanaka	Director	2-3-2, Nishi Shinjuku, Shinjuku-ku, Tokyo, Japan
Tsunekazu Matsud	Director	2-3-3, Nishi Shinjuku, Shinjuku-ku, Tokyo, Japan
Noriyasu Goto	Director	2-3-4, Nishi Shinjuku, Shinjuku-ku, Tokyo, Japan

CONTINUATION

3 -

KDD AMERICA, INC.
375 PARK AVE., 7TH FLOOR
NEW YORK, NY 10152

BANK OF TOKYO-MITSUBISHI TRUST CO.
NEW YORK, NY 10017
1-968-260

20631

020631

DATE	CONTROL NO.	AMOUNT
12/01/98		*****250.00*

PAY
TO THE
ORDER OF

*TWO HUNDRED FIFTY DOLLARS AND NO CENTS

*the South Dakota Public
Utilities Commission*

[Handwritten Signature]

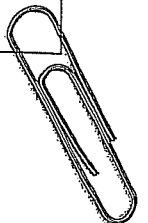
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Continuation

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of pages



South Dakota Public Utilities Commission
WEEKLY FILINGS
For the Period of June 8, 2000 through June 14, 2000

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

TELECOMMUNICATIONS

TC00-090 In the Matter of the Application of KDD America, Inc. for a Certificate of Authority to Provide Telecommunications Services in South Dakota.

KDD America, Inc. is seeking a Certificate of Authority to provide resold interexchange telecommunications services in South Dakota. The applicant intends to provide WATS and MTS services. Applicant will offer services to its subscribers using facilities of the communications networks of Frontier, other facilities-based IXCs and the local exchange telephone companies.

Staff Analyst: Keith Senger
Staff Attorney: Karen E. Cremer
Date Docketed: 06/09/00
Intervention Deadline: 06/30/00

TC00-091 In the Matter of U S WEST Communications, Inc.'s Classification of Certain Services.

The issue before the Commission in this docket will be whether Pay Per Call Restriction; Billed Number Screening; Toll Restriction; and Blocking for 10XXX1+/10XXX011+ are fully competitive services as classified by U S WEST in Docket TC99-099. The Commission requests that U S WEST explain why these services should be considered as fully competitive services. The Commission is interested in knowing whether these services are currently being provided by interexchange carriers.

Staff Analyst: Harlan Best
Staff Attorney: Camron Hoseck
Date Docketed: 06/09/00
Intervention Deadline: 06/30/00

TC00-092 In the Matter of the Application of RapTel Communications, LLC for a Certificate of Authority to Provide Telecommunications Services in South Dakota.

RapTel Communications, LLC has filed a request for a Certificate of Authority to offer ~~resold~~ non-facilities-based interexchange telecommunications services throughout South Dakota. RapTel proposes to acquire and resell various voice and data

communications services offered by interexchange carriers, and to package and provide these services for the specialized functions and needs of its customers.

Staff Analyst: Heather Forney
Staff Attorney: Camron Hoseck
Date Docketed: 06/13/00
Intervention Deadline: 06/30/00

TC00-093 In the Matter of the Application of Sterling Time Company for a Certificate of Authority to Provide Telecommunications Services in South Dakota.

Sterling Time Company has filed a request for a Certificate of Authority. Sterling Time Company is a switch-based reseller which intends to offer 1+ and 101XXXX direct outbound dialing, 800/888 toll-free inbound dialing, travel card service, and prepaid calling card service throughout South Dakota.

Staff Analyst: Michele Farris
Staff Attorney: Karen E. Cremer
Date Docketed: 06/14/00
Intervention Date: 06/30/00

You may receive this listing and other PUC publications via our website or via internet e-mail. You may subscribe or unsubscribe to the PUC mailing lists at <http://www.state.sd.us/puc/>

EARLY, LENNON, PETERS & CROCKER, P.L.C.

ATTORNEYS AT LAW
900 COMERICA BUILDING
KALAMAZOO, MICHIGAN 49007-4752
TELEPHONE (616) 381-8844
FAX (616) 349-8525

RECEIVED

JUL 20 2000

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

OF COUNSEL

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THOMPSON BENNETT
JOHN T. PETERS, JR.

JOSEPH J. BURGH
1988 - 1992

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PATRICK D. CROCKER
ANDREW J. VORBRICHT
ROBERT G. LENNON††

† Also admitted in Iowa
†† Also admitted in New York, Illinois and Washington, D.C.

July 19, 2000

Executive Director
South Dakota Public Utilities Commission
State Capitol
Pierre, South Dakota 57501-5070

Re: KDD AMERICA, INC.
SDPUC Docket No. TC00-090

Dear Sir:

In accordance with correspondence from staff member, Keith Senger, on July 18, 2000, please find an original and ten (10) copies of this letter with response as follows:

The Company does not currently charge customers any prepayment, advances or deposits and will not in the future. Accordingly, the Company will not be submitting a bond.

Should you have any questions concerning this filing, please contact me.

Very truly yours,

EARLY, LENNON, PETERS & CROCKER, P.L.C.

Patrick D. Crocker

PDC/tlb

cc: Keith Senger

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF)
KDD AMERICA, INC. FOR A CERTIFICATE OF)
AUTHORITY TO PROVIDE)
TELECOMMUNICATIONS SERVICES IN)
SOUTH DAKOTA)

ORDER GRANTING
CERTIFICATE OF
AUTHORITY

TC00-050

On June 9, 2000, 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 KDD America, Inc. (KDD).

KDD proposes to offer 1+ interexchange telecommunications services on a resale basis specifically MTS, in-WATS, and out-WATS services. A proposed tariff was filed by KDD. The Commission has classified long distance service as fully competitive.

On June 15, 2000, the Commission electronically transmitted notice of the filing and the intervention deadline of June 30, 2000, to interested individuals and entities. No petitions to intervene or comments were filed and at its August 22, 2000, meeting, the Commission considered KDD's request for a certificate of authority. Commission Staff recommended granting a certificate of authority, subject to the condition that KDD 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 SDCL Chapter 49-31, specifically 49-31-3 and ARSD 20:10:24:02 and 20:10:24:03. The Commission finds that KDD has met the legal requirements established for the granting of a certificate of authority. KDD 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 KDD's application for a certificate of authority, subject to the condition that KDD 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 KDD's application for a certificate of authority is hereby granted, subject to the condition that KDD not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission. It is

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

Dated at Pierre, South Dakota, this 25th day of August, 2000.

CERTIFICATE OF SERVICE	
The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by first class mail, in properly addressed envelopes, with charges prepaid thereon.	
By:	<u>Melaine Kalbo</u>
Date:	<u>8/29/00</u>
(OFFICIAL SEAL)	

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

CERTIFICATE OF AUTHORITY

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

Authority was Granted August 22, 2000
Docket No. TC00-090

This is to certify that

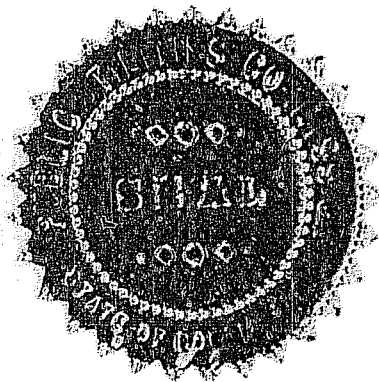
KDD AMERICA, INC.

is authorized to provide telecommunications services in South Dakota.

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

Dated at Pierre, South Dakota, this 25th day of August 2000

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION:



James A. Burg
JAMES A. BURG, Chairman

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner