

KE/TS

DOCKET NO.

Public Utilities Commission of the State of South Dakota

DATE	MEMORANDA
3/7 97	Filed andocketed,
3/13 97	Received Certificate of Authority from Sec. of State;
3/13 97	TC for Filing;
3/25 97	Petition to Intervene by SDITC,
4/10 97	Order Granting Intervention,
5/29 97	Letter Acknowledging Petition to Intervene from SDITC;
7/2 97	Order Granting C.O.R., Order Granting Withdrawal of Intervention,
7/2 97	Docket Closed.

0142.26.1

LAW OFFICES
MAY, ADAM, GERDES & THOMPSON LLP
503 SOUTH PIERRE STREET
P.O. BOX 160
PIERRE, SOUTH DAKOTA 57501-0160

TC97-022

March 7, 1997

GLENN W. MARTENS 1981-1983
KARL GOLDSMITH 1985-1986
WARREN W. MAY
THOMAS CLADAM
DAVID A. GERDES
CHARLES W. THOMPSON
ROBERT B. ANDERSON
BRENT A. WILBUR
TIMOTHY W. ENGEL
MICHAEL F. SHAW

TELEPHONE
605.224.1803
TELECOPIER
605.224.5289

E-MAIL
dag@magt.com

RECEIVED

MAR 07 1997

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

HAND DELIVERED

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

RE: MCIMETRO APPLICATION FOR CERTIFICATE OF AUTHORITY
Our file: 0175.26

Dear Bill:

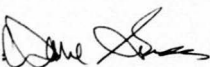
Enclosed are original and ten copies of a verified application for certificate of authority authorizing MCimetro Access Transmission Services, Inc., to provide local exchange service in the state. Please file the enclosure. I also enclosing an extra face page of the application. Please date stamp it and return it to me in the enclosed self-addressed, stamped envelope.

Also enclosed is our check in the sum of \$250 payable to the Public Utilities Commission as your anticipated filing fee. The verification for the application was received by telecopier. We will substitute the original verification with the original application as soon as possible.

If you or any member of the Commission staff have questions concerning this filing, please contact either Bob Sahr or me.

Yours truly,

MAY, ADAM, GERDES & THOMPSON LLP

BY: 

DAG:mw
Enclosures
cc/enc: William P. Hunt

TC97-022

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF APPLICATION)
OF MCIMETRO ACCESS TRANSMISSION)
SERVICES, INC., FOR A CERTIFICATE)
OF AUTHORITY TO PROVIDE LOCAL)
EXCHANGE TELECOMMUNICATIONS)
SERVICES WITHIN THE STATE)
OF SOUTH DAKOTA)

RECEIVED
MAR 07 1997
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

I. INTRODUCTION

Application is made to the South Dakota Public Utilities Commission (the "Commission") for a Certificate of Authority ("COA") authorizing MCImetro Access Transmission Services, Inc. ("MCImetro" or "Applicant") to provide competitive local exchange telecommunications services in the state of South Dakota as a competitive local exchange carrier ("CLEC"). MCImetro makes this application pursuant to SDCL §§ 49-31.3.

II. APPLICATION FOR CERTIFICATE TO PROVIDE LOCAL
EXCHANGE TELECOMMUNICATIONS SERVICES

In support of its Application, MCImetro offers the following information as required by ARSD § 20:10:24:02:

1. Name, address and telephone number of applicant
(R. 20:10:24:02(1))

MCImetro's principal place of business is at 8521 Leesburg Pike, Vienna, Virginia, 22182. The telephone number is (703)918-6000.

2. Corporate information (R. 20:10:24:02(3))

A. State of incorporation, date of incorporation and certificate of incorporation (R. 20:10:24:02(3)(a)).

MCImetro is a Delaware corporation, incorporated on February 9, 1990. MCImetro has submitted an application with the Secretary of State to qualify as a foreign corporation. MCImetro requests that it be allowed to supplement this application with the appropriate certificate when it becomes available. It will be filed as Exhibit A.

B. Principal office in state; registered agent (R. 20:10:24:02(3)(b))

MCImetro maintains the following offices in South Dakota:

4320 South Louise Avenue	Centennial Square
Suite 201	2100 South 7th Street
Sioux Falls, 57106	Rapid City, 57701
1-800-944-2040	1-800-770-5787

MCImetro requests that it be allowed to supplement this application with the name and address of its registered agent at the time it submits its certificate of good standing.

C. Ownership interests (R. 20:10:24:02(3)(c))

MCImetro is a wholly-owned subsidiary of MCImetro, Inc. which in turn is a wholly-owned subsidiary of MCI Telecommunications Corporation, an interexchange carrier certified in South Dakota and other states to provide interexchange long distance service. MCIT is a wholly-owned subsidiary of MCI Communications Corporation ("MCIC"). The business address for MCIC is: 1800 Pennsylvania Avenue, N.W., Washington, D.C., 20006, (202)872-1600.

In November, 1996, MCIC and British Telecommunications announced that they would merge their companies to form Concert Communications. When the merger is completed in the fall of 1997, British Telecommunications will pay more than \$20 billion to acquire the stock of MCIC. Concert will be incorporated in Great Britain with its headquarters in London and Washington, D.C. The resulting company will have worldwide sales of \$42 billion in 72 countries, market value of \$56 billion and 183,000 employees.

D. Names and addresses of subsidiaries owned or controlled by applicant (R. 20:10:24:02(3)(d))

None.

3. Description of telecommunications services applicant will offer (R. 20:10:24:02(5))

Applicant will provide a full-range of telecommunications services, including, but not limited to, resale, various intrastate private line services and switched services, local exchange and IntralATA toll services. Initially, MCImetro plans to provide services by reselling local telecommunications exchange services offered by the incumbent local exchange carrier.

As MCImetro grows its customer base and as the necessary facilities are installed or acquired, MCImetro plans to offer the following categories of local service:

- (a) Local Exchange Service — a service that enables customers to originate and terminate local calls to other customers served by MCImetro as well as to customers of other local exchange carriers. MCImetro's local exchange service will also provide customers the ability to access their choice of interexchange carriers.

- (b) Exchange Access Service - switched access services to interexchange carriers to permit them to originate and terminate interstate and intrastate calls to customers of MCImetro.

The specific types of services MCImetro plans to offer include, but are not limited to: Two-Way Lines/Trunks, Direct Inward/Outward Dialing Options, Local Calling, Operator-Assisted Services, Directory Assistance, Dual Party Relay and Other Special Needs Services, and 911 Emergency Services. MCImetro may also offer local services by utilizing the switching and transport capacity of other existing telecommunications providers pursuant to negotiated or tariffed arrangements.

MCImetro will provide all customers with access to emergency services including 911 and E911 emergency services where available, and will cooperate with existing telecommunications companies, and other affected agencies and organizations, to arrange for the necessary interconnections to enable efficient completion of these calls.

Service quality is one of the important criteria by which customers will select and judge their local phone company. Applicant will meet any applicable service quality standards required by the Commission's rules, and surpass those standards when customers so demand.

Applicant intends to provide directory assistance, operator assistance services, and telephone relay service by either contracting for such services with ILECs or providing such services on its own.

Applicant will offer its services on a non-discriminatory basis. MCImetro plans to interconnect its network with U S WEST

8
1
4
2
and other local exchange carriers in order to bring the widest range of services to consumers in South Dakota.

5. Description of how MCImetro will provide its services (R. 20:10:24:02(6)).

The communications network that MCImetro proposes to utilize in South Dakota cannot be determined until negotiations with incumbent LECs have been completed. In general terms, any facilities based network that MCImetro builds will be comprised of a state-of-the-art telecommunications network that will serve as a platform for providing a full range of local services. The company's network will consist of the following components: (a) high reliability fiber rings using synchronous optical networks ("SONET") technology; (b) digital switches, and (c) special application computers, software and databases.

MCImetro plans to install the most advanced digital switches along the SONET rings in order to facilitate the interconnection of customers to the rest of the public switched telephone network ("PSTN"). MCImetro may use state-of-the-art switches from Northern Telecom, Siemens or other manufacturers depending on the actual network design, capacity and costs. MCImetro expects to rely to a large degree on the newer "remote" switching technology in addition to host switching technology. Both types of switches contain fully redundant hardware and software that will provide maximum reliability and availability to all customers.

Service to end users will be provided by means of connections from Applicant's network to the end-user's facilities, where such connections exist or can be timely and economically constructed.

Applicant will use other facilities when its own network cannot be feasibly connected to the customer's location, and where the use of such alternative facilities is technically and economically feasible.

**6. Geographic area to be served by Applicant
(R. 20:10:24:02(7)).**

MCImetro intends to provide local exchange services throughout the state with initial service to be provided in the U S WEST service territory after all requisite interconnection, resale and other operational agreements are in place. A map showing the geographic areas of the services which MCImetro proposes to offer is attached as Exhibit B.

7. Current financial statements (R. 20:10:24:02(8)).

MCIC and its affiliates will provide all funds necessary for MCImetro to provide the proposed services. The ability of MCIC to satisfy this commitment is illustrated by the audited balance sheet, income statement and statement of retained earnings contained in the 1995 annual report of MCIC attached as Exhibit C. The annual report to stockholders for 1995 is Attached as Exhibit D. Securities and Exchange Commission Form 10Q for the period ending September 30, 1996, is attached as Exhibit E. Additional financial information may be obtained by accessing the Investor Relations icon on MCI's internet home page at <http://www.mci.com>.

A copy of MCImetro's illustrative tariff is attached as Exhibit F. Since MCImetro has not completed interconnection

negotiations with the incumbent local exchange carriers, the tariff does not contain rates. Revised tariff pages will be filed with the Commission once these issues are resolved and prior any provision of service by MCImetro.

8. Applicant's representatives for regulatory matters (R.20:10:24:02.(9)).

David A. Gerdes, Esq.
MAY, ADAMS, GERDES & THOMPSON LLP
503 South Pierre Street
P.O. Box 160
Pierre, SD 57501-0160
Telephone: (605) 224-8803
Facsimile: (605) 224-6289

and

Michael Hydock, Manager, Local Competition Manager
Karen L. Clauson, Esq., Senior Attorney
William P. Hunt III, Esq., Attorney
MCI Telecommunications Corporation
707 Seventeenth Street, Suite 3600
Denver, CO 80202
Telephone: (303) 294-0005
Facsimile: (303) 291-6333

Consumer or Commission complaints regarding services should be directed to: Gina Wendelin, Branch Service Manager, MCI Telecommunications, 9140 West Dodge Road, Suite 285, Omaha, Nebraska, 68114, (402)392-0115.

9. States where Applicant is authorized to provide local service (R.20:10:24:02(10)).

Applicant is authorized to provide telecommunication services including switched local exchange services, local lines, local trunks, voice messaging services and dedicated access services, in Arizona, California, Connecticut, Colorado, Delaware, Florida, Georgia, Illinois, Maryland, Massachusetts, Michigan, New Jersey,

90-0000-744-03

New York, North Carolina, Ohio, Oregon, Pennsylvania, Tennessee, Virginia, Washington and Wisconsin. Applications for local exchange authority are pending in Texas, Missouri, Nevada and Nebraska.

MCImetro provides commercial local exchange traffic with Class 5 local switches in the following cities: Baltimore, Boston, Chicago, Detroit, Philadelphia, Pittsburgh, Seattle, New York, Hartford, Milwaukee, Cleveland, Atlanta, Orlando and Portland, Oregon. By the end of the first quarter of 1997, MCImetro intends to commercially make local service available in the following cities: Los Angeles, Miami, Minneapolis, San Diego, Denver, Memphis, Newark, Phoenix, Raleigh and San Francisco.

MCImetro has not been denied a CPCN (Certificate of Public Convenience and Necessity) or a Certificate of Authority to provide local exchange telecommunication services in any jurisdiction. In each proceeding, the appropriate state authority found that MCImetro had the technical, managerial and financial capabilities to provide local service.

10. Detailed description of how Applicant will market its services (R.20:10:24:02(11)).

MCImetro anticipates that it will market its services through a team of sales professionals dedicated to local markets. MCImetro has not developed any South Dakota specific marketing materials at this time. However, MCImetro will comply with all Commission regulations and state statutes when providing and marketing its services.

11. Cost support for rates (R. 20:10:24:02(12))

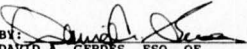
As stated in paragraph 7, above, the basis for applicant's rates depends upon negotiations with incumbent LECs. Further, applicant's services will be as a fully competitive local exchange carrier, and applicant requests that this requirement be waived. To the extent the requirement is not waived, information will be furnished when available.

III. ACTION REQUESTED

MCImetro requests that the Commission approve this request for a Certificate of Authority to provide local exchange service, both on a resale basis and facilities basis, throughout the state of South Dakota.

Dated this 7th day of March, 1997.

MCIMETRO ACCESS TRANSMISSION
SERVICES, INC.

BY: 
DAVID A. GERDES, ESQ. OF
MAY, ADAM, GERDES & THOMPSON LLP
Attorneys for MCImetro
503 South Pierre Street
P.O. Box 160
Pierre, South Dakota 57501-0160
Telephone: (605)224-8803
Fax: (605)224-6289

and

KAREN L. CLAUSON, ESQ., SENIOR ATTORNEY
WILLIAM P. HUNT III, ATTORNEY
MCI Telecommunications Corporation
707 Seventeenth Street, Suite 3600
Denver, Colorado 80202
Telephone: (303)294-0005
Facsimile: (303)291-6333.

STATE OF COLORADO)
) SS
CITY AND COUNTY OF DENVER)

Being duly sworn, William Levis states that he is Director of the Western Public Policy Group of MCI Telecommunications Corporation and that he is duly authorized to act on behalf of its subsidiary, MCImetro Access Transmission Services, Inc. in that capacity he is qualified and authorized to file and verify this application for a Certificate of Authority, that he has carefully examined all the statements and matters contained in the application, and that all such statements are made and matters set forth therein are true and correct to the best of his knowledge, information and belief. Affiant further states that the application is made in good faith, with the intention of presenting evidence in support thereof in every particular

William Levis

William Levis
Regional Director, Western Region

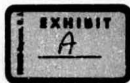
SUBSCRIBED AND SWORN to before me on this 7th day of March, 1997

Witness my hand and official seal

Notary Public
Notary Public



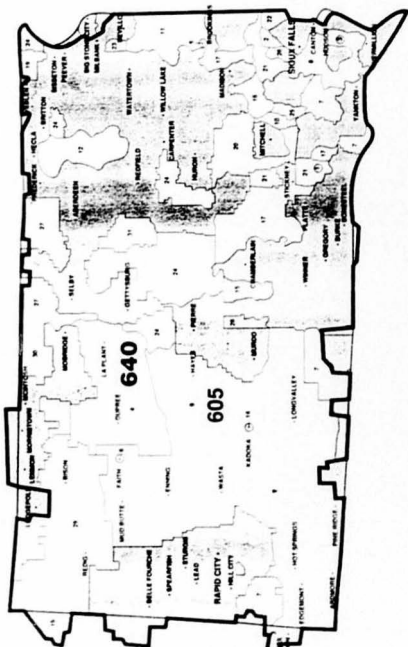
MCImetro requests that it be allowed to supplement this application with the appropriate certificate when it becomes available. It will be filed as Exhibit A.



**SOUTH DAKOTA
AREA CODE 605**

**USWEST[®]
COMMUNICATIONS**

1. American Telephone & Telegraph Co.
2. Bell Telephone Co.
3. Bell Telephone Co.
4. Bell Telephone Co.
5. Bell Telephone Co.
6. Bell Telephone Co.
7. Bell Telephone Co.
8. Bell Telephone Co.
9. Bell Telephone Co.
10. Bell Telephone Co.
11. Bell Telephone Co.
12. Bell Telephone Co.
13. Bell Telephone Co.
14. Bell Telephone Co.
15. Bell Telephone Co.
16. Bell Telephone Co.
17. Bell Telephone Co.
18. Bell Telephone Co.
19. Bell Telephone Co.
20. Bell Telephone Co.
21. Bell Telephone Co.
22. Bell Telephone Co.
23. Bell Telephone Co.
24. Bell Telephone Co.
25. Bell Telephone Co.
26. Bell Telephone Co.
27. Bell Telephone Co.
28. Bell Telephone Co.
29. Bell Telephone Co.
30. Bell Telephone Co.
31. Bell Telephone Co.



US WEST COMMUNICATIONS 000 DATA CODE
UNIDENTIFIED 000 AREA CODE
INDEPENDENT

EXHIBIT
B

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 1995

OR

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-6457

MCI COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 52-0886267
(State or other jurisdiction of
incorporation or organization) (I.R.S. Employer
Identification No.)

1801 Pennsylvania Avenue, N.W., Washington, D.C. 20006
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (202) 872-1600

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

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

Common Stock, \$10 par value per share

(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding 12 months, and (2) has been subject to such filing requirements for
the past 90 days. Yes [X] No []

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

The aggregate market value of the voting stock of registrant, which includes the
Common Stock and Class A Common Stock, held by non-affiliates was \$20,414,632,708
at February 26, 1996, based upon the closing price of the Common Stock on that date.

As of February 26, 1996, registrant had outstanding 555,135,701 shares of Common
Stock and 135,998,932 shares of Class A Common Stock.

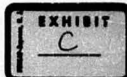
Documents Incorporated by Reference:

Portions of the Annual Report to Stockholders for the year ended December 31,

1995 - Part II

Portions of the Proxy Statement for the 1996 Annual Meeting of Stockholders -

Part III



PAGE 2

PART I

Item 1. Business

GENERAL

MCI provides a broad range of communication services, including long-distance telecommunication services, local and wireless services and information technology services. The provision of long-distance telecommunication services is MCI's core business. Long-distance telecommunication services comprise a wide spectrum of domestic and international voice and data services, including long-distance telephone services, data communication services, teleconferencing services and electronic messaging services. During each of the last three years, more than 90% of MCI's operating revenues and operating income were derived from its core business. MCI is the second largest carrier of long-distance telecommunication services in the United States and the third largest carrier of international long-distance telecommunication services in the world.

The communication services industry is in the process of substantial change, providing significant opportunities and risks to its participants. Evolving and newly developed technology, emerging significant competition in the market for long-distance and local telecommunication services, as well as the increasing desire of customers to have most or all of their various communication needs fulfilled by one supplier, are causing companies, including MCI, which offer services primarily in one part of the communication services market, to offer, either directly or through alliances with others, new services to complement their primary services offerings.

MCI conducts its business primarily through its subsidiaries. Unless the context otherwise requires, "MCI" or "company" means MCI Communications Corporation, a Delaware corporation organized in August 1968, and its subsidiaries on a consolidated basis. MCI is a registered service mark of MCI Communications Corporation. MCI has its principal executive offices at 1801 Pennsylvania Avenue, N.W., Washington, D.C. 20006 (telephone number (202) 872-1600).

MCI expects that this expansion into new services will continue and is likely to accelerate as a result of the enactment of the Telecommunications Act of 1996 (the "Telecommunications Act") in February 1996. Among other things, the Telecommunications Act (i) opens the local services market, currently dominated by the Regional Bell Operating Companies ("RBOCs"), to competition by requiring the RBOCs to sell separately their local services and network elements, such as interconnection and local loops, to their new competitors; (ii) allows the RBOCs to provide long-distance telecommunication services in their respective regions once they comply with certain requirements that are intended to promote competition for local services; and (iii) allows the RBOCs to offer long-distance telecommunication services outside their respective regions immediately. See "CORE BUSINESS - COMPETITION" and "CORE BUSINESS - TELECOMMUNICATIONS ACT" below for a further discussion of the Telecommunications Act and its anticipated impact on competition.

MCI believes that it is positioning itself to capitalize on the opportunities that should be available in the communication services markets. MCI's investment in ventures and developing markets will enable it to offer a variety of local, wireless, information technology and multimedia services. These services, combined with the continued growth and strength of MCI's core business, should enable MCI to compete effectively in these markets and against the RBOCs and any others that seek to enter the long-distance telecommunication services market. See "VENTURES AND DEVELOPING MARKETS BUSINESS" and "CORE BUSINESS" below.

MCI anticipates that continued substantial capital expenditures will be required to compete effectively in these markets. Competition from the RBOCs and others significantly larger than MCI in financial and other resources will be intense. Due to the rapidly changing nature of these markets and the other factors summarized above, it is not possible to predict the level of MCI's future success, but the company believes that it will compete effectively in providing its services.

As of December 31, 1995, MCI had approximately 50,000 full-time employees.

CORE BUSINESS

Services

MCI provides a wide range of long-distance telecommunication services, including: basic long-distance telephone service; voice and data services over software-defined virtual private networks; private line services; collect calling, operator assistance and calling card services, including prepaid calling cards; toll free or 800 services; 900 services; switched and dedicated Internet access services; and Internet backbone services. The company offers these services individually and in combinations. Through combined offerings, MCI is able to provide customers with benefits such as single billing, unified services for multi-location companies and customized calling plans.

MCI markets domestic and international voice and data communication services primarily through its long-distance telecommunication subsidiary, MCI Telecommunications Corporation ("MCI"). Domestic and international long-distance telecommunication, domestic data communication and electronic messaging services are marketed to business, government and residential customers by MCI's sales organization located throughout the United States. International data communication and electronic messaging services are marketed through MCI International, Inc., a wholly-owned subsidiary of MCI. To a lesser extent, MCI also markets its voice and data communication services domestically and internationally through arrangements with third parties.

System

Domestic long-distance services are provided primarily over MCI's own coast-to-coast optical fiber and terrestrial digital microwave communication system and, to a lesser extent, over transmission facilities leased from other common carriers, utilizing MCI's digital switches. International communication services are provided by submarine cable systems in which MCI holds investment positions, satellites and facilities of other domestic and foreign carriers.

MCI continues to expand its digital transmission and switching facilities and capabilities to meet the requirements of its customers for additional and enhanced domestic and international services, to add redundancy to its network and to enhance network intelligence. This expansion includes the continued deployment in

its network of Synchronous Optical Network ("SONET") and Asynchronous Transfer Mode ("ATM") technologies.

SONET technology, which is currently deployed throughout MCI's domestic network, substantially increases the speed at which data is carried on MCI's network, thereby allowing MCI to provide high-speed multimedia applications and information services throughout its domestic network. In addition, it allows MCI to install customer circuits faster and improve monitoring of the network by anticipating certain problems before they occur. Further, when deployed in a ring design, SONET allows MCI to provide its customers with millisecond restoration of traffic in the event of a network outage. MCI has installed SONET rings in a number of major cities in the U.S. and on all new international gateways. Construction of additional SONET rings are planned for 1996.

ATM switching technology facilitates the provision of a wide range of data communication services. This technology increases MCI's network switching capabilities, permitting MCI's customers to transmit simultaneously voice, data and video communications over the same line. ATM is currently offered commercially on a substantial portion of MCI's domestic network. MCI plans to have ATM available throughout its domestic network by the end of 1996.

These network initiatives and continued expansion of the network require substantial capital expenditures. Total capital expenditures were approximately \$2.9 billion in both 1995 and 1994, and \$1.7 billion in 1993. Approximately \$300 million of MCI's capital expenditures for 1995 were for ventures and developing markets business units (See "VENTURES AND DEVELOPING MARKETS BUSINESS - LOCAL SERVICES" below). MCI anticipates that its core business and its ventures and developing markets business units will require total capital expenditures of approximately \$3 billion in 1996.

Local Access

MCI provides customers that utilize large volumes of long-distance telecommunication services with direct access to its long-distance network. Other lower volume customers access MCI's services primarily through local interconnection facilities provided by local exchange carriers ("LECs"), the largest of which are subsidiaries of the RBOCs. To a much lesser extent, local access is provided by MCI Metro, Inc. ("MCI Metro"), an MCI subsidiary providing local telephone service, and competitive access providers ("CAPs"). The charges for these local interconnection facilities are a significant component of MCI's operating expenses.

Competition in providing local services, including interconnection services, should increase dramatically as a result of the requirement of the Telecommunications Act that the RBOCs unbundle local services and provide such services at rates that are cost based and non-discriminatory. MCI expects that this will lower access and interconnection costs. MCI Metro expects that the unbundling of services will enable it to offer a wider variety of services and increase its revenues. However, the extent to which MCI and MCI Metro will benefit cannot be quantified and will be partially dependent upon the extent new and existing competitors in the local services market are successful in competing with the LECs. See "CORE BUSINESS - TELECOMMUNICATIONS ACT" below for a discussion of the Telecommunications Act and "VENTURES AND DEVELOPING MARKETS BUSINESS - LOCAL SERVICES" below for discussion of the benefits to MCI Metro anticipated from the Telecommunications Act.

Competition

MCI's primary and most vigorous competitor in the domestic and international long-distance telecommunication services market continues to be the long-distance telecommunications unit, which Corp ("AT&T"). AT&T's long-distance telecommunication services are being separated from AT&T's equipment and computer services units, is substantially larger than MCI. In general, MCI's long-distance telecommunication services are priced lower than AT&T's comparable services. Although price is a factor in customer choice, innovation and quality of services, diversity of services, the ability to offer a combination of services, marketing strategy, customer service and other non-price elements are also important competitive factors.

The Telecommunications Act now allows the RBOCs to provide long-distance telecommunication services internationally and domestically in territories outside of their respective local service regions. The RBOCs may also provide long-distance telecommunication services that are incidental to certain other services (e.g., wireless and video services) in their local regions. The authority to provide long-distance telecommunication service originating outside of their respective regions does not include calls that terminate in-region, such as private line services, 800 services or any equivalent service that terminates in-region and allows the called party to choose the interLATA (see definition of LATA below) carrier. The RBOCs are prohibited from providing a full range of long-distance telecommunication services in their local regions until certain important conditions are met (See "CORE BUSINESS - TELECOMMUNICATIONS ACT" below). The RBOCs

own extensive facilities in their regions and have long-standing customer relationships and very substantial capital resources. MCI believes that the RBOCs will eventually become substantial competitors of MCI for long-distance telecommunication services, especially in their local regions.

In addition to AT&T and the RBOCs, MCI competes with Sprint Corporation ("Sprint"), other facilities-based domestic telecommunication common carriers and numerous resellers of long-distance telecommunication services. MCI also competes with LECs that service a local access transport area ("LATA") in the provision of intralATA long-distance telecommunication services. As the Telecommunications Act is implemented, companies that operate primarily in a communication services market other than the long-distance telecommunication services market, such as the wireless services and multimedia services markets, are likely to compete with MCI in the long-distance telecommunication services market. Some of these companies have substantial financial and other resources.

Regulation -----

The Telecommunications Act broadened the scope of authority of the Federal Communications Commission ("FCC"). See "CORE BUSINESS - TELECOMMUNICATIONS ACT" below for a summary of portions of the Telecommunications Act. The FCC retains its extensive authority to regulate interstate services and local access facilities and services provided by common carriers, including the right to review the interstate rates charged by common carriers, as well as the authority to implement policies that promote competition for all telecommunication services. The Telecommunications Act gives the FCC, in consultation with the Attorney General of the United States, authority to determine when the RBOCs may provide long-distance telecommunication services in their local regions. The FCC was also given authority to preempt state and local action that is inconsistent with the Telecommunications Act. In addition, as part of its interstate regulatory authority, the FCC currently requires all common carriers subject to its jurisdiction to file tariffs for service offerings, although the Telecommunications Act authorizes the FCC to exempt certain carriers from such regulation if it determines that consumers would benefit from the removal of tariff regulation for some or all of their services. The FCC recently instituted a proceeding that contemplates mandatory detariffing by all non-dominant carriers of their domestic services, but left open the possibility of either continued tariffing or permissive (i.e. voluntary) detariffing.

Under the Telecommunications Act, the states retain their authority to impose requirements necessary to preserve and advance

universal telecommunication service, to protect the public safety and welfare, to ensure continued quality of telecommunication services and to safeguard the rights of consumers, subject to FCC authority to preempt state and local action that violates or is inconsistent with the Telecommunications Act. In addition, to the extent MCI provides intrastate long-distance telecommunication services, it is subject to extensive regulation by state regulatory commissions.

Rates of international communication carriers for traffic from the United States to foreign countries are regulated by the FCC. Revenues from traffic between the foreign country and the United States (with the exception of leased channel services) are generally collected by the originating carrier and shared with the terminating carrier through agreements that are subject to the approval of the FCC and the appropriate overseas agency. In addition to regulation of rates and agreements, the FCC has jurisdiction over international communication facilities located in the United States. The provision of long-distance telecommunication services to a foreign country is subject to the approval of the FCC and the appropriate foreign governmental agencies.

Telecommunications Act -----

The Telecommunications Act, among other things, allows the RBOCs to offer long-distance telecommunication services outside of their respective regions, and allows the RBOCs to offer such services within their region on a state-by-state basis upon the determination by the FCC that certain criteria have been met. The primary criteria that must be satisfied before an RBOC may be granted authority to offer long-distance telecommunication services in a state within its region are (i) satisfying the requirements of the competitive checklist (the "Competitive Checklist") set forth in the Telecommunications Act; and (ii) the presence of one or more facilities-based competitors in the local services market in the state where authority to offer long-distance telecommunication services is requested.

The Competitive Checklist includes the requirements that: (i) interconnection be at any technically feasible point and of equal quality as that provided to the RBOC or to other carriers; (ii) access to the RBOC's facilities and equipment, and their features, functions and capabilities, be provided on an unbundled, non-discriminatory basis; (iii) any telecommunication service the RBOC provides at retail to subscribers who are not carriers be offered to carriers for resale, at wholesale rates; (iv) access to poles, ducts, conduits and rights-of-way owned or controlled by the RBOC be provided on a non-discriminatory basis; (v) local loop

transmission from the central office to the customer's premises be provided unbundled from local switching or other services; (vi) local transport be provided from the trunk side of a wireline switch unbundled from switching or other services; (vii) local switching be provided unbundled from transport, local loop transmission or other services; (viii) access be provided on a non-discriminatory basis to 911 and Enhanced 911 services, directory assistance services and operator call completion services; (ix) white pages directory listings for customers of the other carrier's telephone exchange service be provided; (x) access to telephone numbers for assignment to the other carrier's telephone exchange service customers be provided on a non-discriminatory basis until telecommunications numbering administration guidelines are established by the FCC and thereafter be provided in accordance with such guidelines; (xi) access to data bases and associated signaling necessary for call routing and completion be provided on a non-discriminatory basis; (xii) interim number portability be provided through remote call forwarding, direct inward dialing trunks or other comparable arrangements until the FCC supersedes such interim arrangements by issuing its number portability rules; (xiii) access to such services or information as are necessary to allow the requesting carrier to implement local dialing parity be provided on a non-discriminatory basis; and (xiv) reciprocal compensation arrangements be implemented for the origination and termination of telecommunications so as to provide the recovery by each carrier of costs based on a reasonable approximation of the additional costs of terminating calls.

An RBOC can satisfy the requirement that one or more facilities-based competitors be present in the local services market if it has entered into one or more interconnection and access agreements approved by the applicable state regulatory authority in accordance with the Telecommunications Act, subject to the FCC's determination that such a competitor exists and offers its services to both business and residential customers either predominantly or exclusively over its own network facilities. Under these agreements, the RBOC must provide on a non-discriminatory basis access and interconnection services, at rates which are cost based (which may include a reasonable profit), to the RBOC's network facilities to one or more competing providers of telephone exchange service to residential and business customers.

In addition, to provide long-distance services in a state in its region, the RBOC must demonstrate that: (i) the RBOC has entered into approved interconnection agreement(s) in the state which satisfy the requirements of the Competitive Checklist; (ii) the RBOC will provide long-distance telecommunication service in a state in its local region only through a separate subsidiary of the RBOC, and dealings with such subsidiary are at arm's length; and (iii) the RBOC's request to provide long-distance telecommunication

services in a state in its local region is consistent with the public interest, convenience and necessity.

The FCC must consult with the Attorney General of the United States to determine whether to grant the RBOC authority to offer long-distance telecommunication services in a state in its local service region is consistent with the public interest, convenience and necessity, and must give substantial weight to the Attorney General's recommendations. The FCC must also consult with the relevant state regulatory authority to verify the RBOC's compliance with the Competitive Checklist requirements. MCI will vigorously seek to ensure that the Telecommunications Act requirement of meaningful facilities-based competition in the local services market in a state in the RBOC's local service region is fully enforced before the RBOC is allowed to provide long-distance telecommunication services in that state.

Upon the grant of in-region authority, the RBOC is required to provide intralATA toll dialing parity throughout the applicable state as soon as it exercises such authority. In general, states cannot require such dialing parity until the date that the RBOC is granted in-region interLATA authority or February 8, 1999, whichever is earlier. Importantly, the following categories of states may require such dialing parity sooner: (i) the ten single LATA states, and (ii) the 15 states (of which two are single LATA states) that issued dialing parity orders by December 19, 1995.

The Telecommunications Act also provides that until the date that an RBOC is authorized to provide long-distance telecommunication services within a state in the RBOC's local services region or February 8, 1999, whichever is earlier, a carrier, such as MCI, serving more than 5% of the United States' presubscribed access lines may not market within a state resold telephone exchange service obtained from the RBOC jointly with interLATA services offered by that carrier. This restriction would not preclude MCI from combining local services provided by MCI Metro or another non-RBOC local service provider over its own facilities with MCI's long-distance telecommunication services. The Telecommunications Act also provides that an RBOC is restricted from marketing its local services within any of the states in its region jointly with an affiliate's interLATA services until the RBOC is authorized to offer interLATA services in such state.

VENTURES AND DEVELOPING MARKETS BUSINESS

To meet more of the communications needs of its customers and to take advantage of developing opportunities in the communication services market, MCI has been diversifying the communication services it offers through investments in ventures and developing markets businesses. In 1995, MCI recognized \$365 million of revenues generated by the ventures and developing markets businesses. MCI anticipates investing in 1996 an estimated \$2 billion in existing ventures and developing markets businesses, including the purchase of a high-power direct satellite services license and an additional investment in The News Corporation Limited. See Item 6. Management's Discussion and Analysis and "VENTURES AND DEVELOPING MARKETS BUSINESS - MULTIMEDIA SERVICES" below.

Local Services

MCImetro was organized in 1993 to enter the local services market and compete with the LECs and CAPs, initially by providing special access services and, when permitted by local regulation, all local services. In 1995, MCImetro had revenues of \$108 million, substantially all of which were from sales of services to MCI. Also in 1995, MCImetro had capital expenditures of \$265 million and, through completed construction on local networks and the formation of joint ventures or alliances with CAPs, had full or part ownership in 40 local networks in 25 major cities.

MCImetro provides businesses and governments high quality dedicated access to the MCI network or to the networks of other long-distance telecommunications providers. The access services are provided either on MCImetro's own local city networks or through arrangements with the LECs and CAPs for special access and switched access services. As of December 31, 1995, MCImetro had in 14 states and had applications pending for such services in six other states. As of March 1996, MCImetro had installed 11 Class 5 switches which allow MCImetro to offer local exchange services such as local telephone service, business lines, private branch exchange (PBX) trunks, access services and enhanced services. Although all 11 switches were operational as of March 1996, MCImetro could only offer local exchange services to businesses on eight of the switches located in areas where MCImetro had an approved tariff and agreed interconnection arrangements with the LEC.

If or when MCImetro will be able to offer a full range of local services in competition with the LECs in all states is unknown. Although the Telecommunications Act establishes a timetable for an

RBOC to sell separately its local services and provide them to other carriers on a non-discriminatory basis, prior to receiving in-region authority, it is not known at this time if the timetable will be met. See "CORE BUSINESS - TELECOMMUNICATIONS ACT" above. The pace at which all local services are sold separately, the prices at which MCImetro can purchase such services from the LEC, and the amount of capital MCImetro has to expand its facilities will affect the types of services MCImetro can offer and its ability to compete with the LECs in providing local telecommunications services.

The LECs have very substantial capital and other resources, long standing customer relationships and extensive existing facilities and network rights-of-way and will be MCImetro's primary competitors in the local services market. In addition, it is anticipated that a number of long-distance telecommunication, wireless and cable service providers, will enter the local services market in competition with MCImetro. Some of these potential competitors have substantial financial and other resources. MCImetro will also compete in the local services market with a number of CAPs, a few of which have existing local networks and significant financial resources.

To the extent MCImetro and others provide intrastate local services, they are also subject to regulation by state regulatory commissions, which have extensive authority to regulate the provision of local services. MCImetro will be required to file tariffs as a competitive local exchange carrier, which filing requirements may be less restrictive than those imposed on the LECs, which are also subject to regulation by the same commissions.

Wireless Services

In 1995, MCI acquired Nationwide Cellular Service, Inc. ("Nationwide"), a retailer of cellular phone services and, to a lesser extent, cellular phone equipment. The Nationwide acquisition and the execution of resale agreements with facilities based cellular phone service and paging service providers has positioned MCI to become a significant participant in the cellular phone and paging service markets. MCI expects, through the execution of additional resale agreements, to have the capability to offer cellular phone services to approximately 45% of the population of the United States by the end of 1996. MCI markets these services to both business and residential customers through the Nationwide's and MCI's sales organizations. Revenues for the three months ended December 31, 1995 from these services were \$82 million. Revenues are expected to increase in 1996 as MCI increases the number of cities in which it offers cellular phone and paging services and also combines these service offerings with

MCI's core business service offerings to meet its customers' needs. At December 31, 1995, MCI had approximately 347,000 cellular phone service subscribers and 465,000 paging service subscribers.

MCI's primary competitors in the wireless market are AT&T Wireless Services, Airtouch Communications, Inc., 360 Degrees (the former wireless subsidiary of Sprint) and many of the RBOCs, which have facilities based wireless operations. As MCI is not a facilities based wireless operator, its ability to be competitive is dependent on the terms and conditions under which it obtains services and its ability to renew on satisfactory terms its resale agreements to provide cellular phone and paging services. In addition, competition is expected to intensify as the winning bidders in the Personal Communication Services spectrum auctions begin to offer competing services.

As a reseller, MCI is not subject to any tariffing or licensing requirements by the FCC or state regulatory agencies.

Information Technology Services

MCI's information technology ("IT") services primarily consist of IT outsourcing, consulting and system integration services, and call center services. MCI provides a broad range of call center services that include fulfillment, billing, data collection, database management, customer service and telemarketing. IT services revenues for the three months ended December 31, 1995, including SHL Systemhouse Inc. ("SHL") revenue from the date of its acquisition by MCI, were \$126 million.

In November 1995, MCI acquired SHL, one of the world's largest providers of IT outsourcing services to commercial and government enterprises. The acquisition of SHL allows MCI to meet the growing demands of its business customers for IT outsourcing services. These services include the design, development and implementation of IT systems with an emphasis on client/server technologies; the management, operation and maintenance of client IT functions as part of outsourcing arrangements; and the delivery and installation of IT hardware and software for clients' services related to such products and training and education of client users.

MCI serves its IT clients by, (i) working with a client to analyze its IT needs, and, based on this analysis, designing, developing and implementing an integrated client/server IT system; (ii) providing systems operations and management services for a broad range of computing platforms, including mainframe, minicomputer and personal computer, and network environments, such as local-area networks and wide-area networks; and (iii) assessing a client's computing platform and network requirements and then

configuring, delivering, installing and testing the needed hardware and software products to meet such requirements. MCI also offers service for IT products and training and education of client IT users.

Competitors in the IT business include Andersen Consulting, Computer Sciences Corporation, Electronic Data Systems Corporation and Integrated Systems Solutions Corp., a wholly-owned subsidiary of International Business Machines Corporation, all of which have substantial financial and other resources. MCI derives a material amount of its IT revenues from a small number of customers. In addition, MCI faces competition in the IT industry not only for contracts, but also for personnel. There is a shortage of skilled employees and a high turnover rate among skilled employees in the client/server portion of the IT business. However, MCI is not dependent on any single employee or group in providing these services.

International Services

MCI continues to develop global alliances to expand the use and reach of its services and to meet the global needs of its customers.

Concert Communications Company ("Concert"), is a business venture between British Telecommunications plc ("BT") and MCI in which MCI owns a 24.9% equity interest. Concert provides global enhanced and value-added telecommunication services, such as packet data, virtual network, frame relay and managed bandwidth services. MCI is the exclusive distributor of Concert services in North, Central and South America, and BT is the exclusive distributor of Concert services in the rest of the world. Since July 1994, MCI has invested \$145 million in Concert and intends to continue making contributions to Concert over the next several years in order to maintain its proportionate interest. For the year ended December 31, 1995, Concert's distributors had approximately \$300 million in revenue from the sale of Concert's products. As of December 31, 1995, the Concert network had 6,000 communication nodes deployed in over 800 cities in more than 50 countries.

AT&T and Sprint have also formed global alliances that will compete with Concert. AT&T's WorldPartners is an association of member companies formed in 1993 to provide a family of telecommunication services (private line, frame relay and virtual network services) to multinational customers. Members of the association include AT&T, KDD of Japan, Singapore Telecom, Telstra of Australia, Unisource, Telecom New Zealand, Hong Kong Telecom, Unitel of Canada, Korea Telecom and Telefonica of Spain. Sprint, France Telecom ("FT") and Deutsche Telekom ("DT") have formed

Global One, a global partnership which offers an array of international telecommunication services to multinational business customers. As part of the transaction, PT and DT each acquired 10% of Sprint's common stock.

AVANTEL S.A. de C.V. ("AVANTEL") is a business venture between Grupo Financiero Banamex-Activia, Mexico's largest financial group, and MCI, in which MCI owns a 44.5% equity interest. AVANTEL was formed in 1994 to provide competitive domestic and international long-distance telecommunication services in Mexico using MCI's technology. In September 1995, AVANTEL received a license from the Mexican Secretariat of Communications and Transportation to construct and operate a nationwide fiber-optic telecommunications network in Mexico. AVANTEL plans to provide competitive domestic and international long-distance telecommunication services in Mexico when the market opens for competition for business customers in 1996. As of December 31, 1995, MCI had invested in AVANTEL approximately \$250 million, one-half of MCI's total anticipated investment, the remainder of which is expected to be made in 1996.

In Mexico, Telefonos de Mexico ("TelMex"), the monopoly telecommunications provider, will be AVANTEL's primary competitor. TelMex's financial and other resources are substantially greater than AVANTEL's, and it has an extensive existing customer base.

In 1992, MCI entered into a strategic alliance with Stentor, an affiliate of major Canadian telephone companies, to develop a fully integrated intelligent network linking the United States and Canada. In 1995, Stentor entered into an agreement with Concert to become the exclusive distributor of Concert services in Canada. The Stentor alliance and the AVANTEL joint venture will facilitate the development of a fully integrated, seamless North American network capable of providing services with identical features to customers throughout the United States, Canada and Mexico.

In addition, MCI owns minority equity interests in telecommunication service providers in New Zealand and Belize and is exploring opportunities in Latin America and other areas of the world.

Multimedia Services

In August 1995, MCI invested \$1 billion in The News Corporation Limited ("News Corp."). In addition, MCI received a five year option to invest in News Corp. from time to time up to an additional \$1 billion in the aggregate. Under certain circumstances, News Corp. has the right from time to time to cause MCI to exercise this option and make additional investments up to \$1 billion in the aggregate. MCI, at the request of News Corp.,

will partially exercise this option and invest \$350 million in News Corp. in the first half of 1996.

In furtherance of the business objectives of this business alliance, MCI anticipates forming ventures with News Corp. and others to compete in various multimedia service markets. MCI and News Corp. are currently discussing the formation of a venture to provide high-powered direct satellite services to homes and offices. High-powered direct satellite service is a point-to-multipoint broadcast service that uses high-powered KU band satellites which are placed in a geosynchronous orbit. High-powered direct satellite service has the capability of delivering a wide range of services, such as subscription television, pay-per-view services, such as movies, concerts and sporting events, and digitized content, such as magazines.

The proposed venture would offer information and entertainment services to businesses and consumers. The venture would utilize satellites which will operate under a license to be awarded to MCI as a result of a federal spectrum auction in January 1996. MCI submitted a winning bid of \$682 million for the right to use 28 of 32 channels in the satellite slot located at 110 degrees west longitude, which provides coverage to all fifty states and Puerto Rico. MCI has entered into an agreement to purchase two satellites, one of which is scheduled for launch in late 1997. MCI anticipates the proposed venture will provide high-powered direct services by late 1997, assuming the first of its satellites is successfully launched according to plan.

Competition in the high-powered satellite service market will arise from three sources: existing and future high-powered direct satellite service providers with spectrum at locations other than 110 west longitude; medium-power satellite video service providers; and cable companies that operate land based facilities. Existing competitors have substantial financial resources, existing customer bases and experienced marketing organizations. In addition, it is anticipated that certain long distance telecommunication service providers and the RBOCS may seek to form alliances with high-powered direct satellite service or other multimedia service providers and compete with MCI in this market. AT&T announced in January 1996 it is acquiring an equity interest in an existing high-powered direct satellite service provider and will begin offering the services and equipment of such provider to AT&T's customers by mid-summer 1996.

Except for routine FCC licensing of earth station (uplink) facilities to be used in conjunction with the satellites and certain restrictions on use of the spectrum, upon successful completion of the FCC's current review of MCI's post-auction satellite system application, neither MCI nor the proposed venture

will be subject to extensive regulation by the FCC. At the state level, the venture will be subject to standard zoning requirements for the placement of uplink facilities. Zoning restrictions by localities on the placement of receive dishes is largely preempted by federal law.

.....
 * MCImetro is a service mark of MCI.
 ** Concert is a mark of Concert Communications Company and is used under license.

Item 2. Properties.

.....
 MCI leases, under long-term leases, portions of railroad, utility and other rights-of-way for its fiber-optic transmission system. MCI also has numerous tower sites, generally in rural areas, to serve as repeater stations in its domestic microwave transmission system. Most of these sites are leased, although MCI does own many of those which are at an intersection of two or more routes of MCI's transmission system. Generally, MCI owns the buildings that serve as switch facilities for the transmission system. In metropolitan areas, MCI leases facilities to serve as operations facilities for its transmission systems.

MCI also leases, under long-term leases, office space to serve as sales office and/or administrative facilities. Some of these facilities are located jointly with operations facilities. In addition, MCI owns its headquarters building in Washington, D.C. and two buildings in a suburb of Washington, D.C., as well as administrative facilities in Cary, North Carolina; Cedar Rapids, Iowa; Colorado Springs, Colorado; Piscataway, New Jersey; and Richardson, Texas.

MCImetro leases under long-term leases or has conduit rights-of-way for the placement of its fiber optic transmission system. MCImetro leases under long-term leases the buildings that house its Class 5 switches and other network and administrative office space. MCImetro also sub-leases administrative and sales office, and operation facility space from MCI.

Item 3. Legal Proceedings.

.....
 Information regarding contingencies and legal proceedings is included in Note 14 of the Notes to Consolidated Financial Statements on page 27 of the company's Annual Report to

Stockholders for the year ended December 31, 1995, which has been filed as Exhibit 13 to this Annual Report on Form 10-K. Such information is incorporated herein by reference.

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

.....
 None.

Item 10. Executive Officers of the Registrant.*

.....
 The executive officers of MCI, including its subsidiaries, are elected annually and serve at the pleasure of the respective board of directors. They are:

Name	Age*	Position**
Bert C. Roberts, Jr.	53	Chairman of the Board, Chief Executive Officer, Director
Gerald H. Taylor	54	President and Chief Operating Officer, Director
Timothy F. Price	42	President and Chief Operating Officer, MCI Telecommunications Corporation
Seth D. Blumenfeld	55	President, MCI International, Inc.
John W. Gerdelman	43	Executive Vice President, MCI Telecommunications Corporation
Douglas L. Maine	47	Executive Vice President and Chief Financial Officer
Michael J. Rowny	45	Executive Vice President
Michael H. Salsbury	46	Executive Vice President and General Counsel
James M. Schneider	43	Senior Vice President

.....
 *As of March 1, 1996.

**Unless otherwise indicated, the position is with MCI Communications Corporation.

Mr. Roberts has been Chairman of the Board of MCI since June 1992 and Chief Executive Officer of MCI since December 1991. Prior thereto he was President and Chief Operating Officer of MCI from October 1985 to June 1992 and President of MCIT from May 1993 to June 1992. Mr. Roberts has been a director of MCI since 1985.

Mr. Taylor has been President and Chief Operating Officer of MCI since July 1994 and Vice Chairman of MCIT since July 1995. He was President and Chief Operating Officer of MCIT from April 1994 to July 1995. He was an Executive Vice President and Group Executive of MCIT from September 1993 to April 1994. He was an Executive Vice President of MCIT, serving as President, Consumer Markets, from November 1990 to September 1993. Mr. Taylor has been a director of MCI since September 1994.

Mr. Price has been President and Chief Operating Officer of MCIT since July 1995. He was an Executive Vice President and Group President of MCIT, serving as Group President, Communication Services, from December 1994 to July 1995. He was an Executive Vice President of MCIT, serving as President, Business Markets, from June 1993 to December 1994. He was a Senior Vice President of MCIT from November 1990 to June 1993, serving as President, Business Services, from July 1992 to June 1993 and as Senior Vice President, Consumer Markets, from November 1990 to July 1992.

Mr. Blumenfeld has been President of MCI International, Inc., since September 1984.

Mr. Gerdeman has been an Executive Vice President of MCIT, serving as President, networkMCI Services, since October 1994. He was a Senior Vice President of MCIT from August 1992 to October 1994. From July 1991 to August 1992, he was President and Chief Executive Officer of MCI Services Marketing, Inc., a company that provided telemarketing services to, and in which a 51% equity interest was held by, MCIT. For more than two years prior thereto, he was Executive Vice President and Chief Operating Officer of Pioneer Telecommunications, Inc., a company that provided telemarketing services to, and in which a 25% equity interest was owned by, MCIT. Mr. Gerdeman is also a director of General Communications, Inc. ("GCI"), a telecommunications provider in Alaska, of which MCIT owns approximately 33% of the outstanding shares of Class A Common Stock and approximately 31% of the outstanding shares of Class B Common Stock.

Mr. Maine has been an Executive Vice President of MCI since April 1994. He was a Senior Vice President of MCI from September 1988 to April 1994. Mr. Maine has been Chief Financial Officer of MCI since February 1992. From November 1990 to February 1992, he was a Senior Vice President of MCIT, serving as President of the Southern Division.

Mr. Rowny has been an Executive Vice President of MCI since April 1995 and an Executive Vice President of MCIT since June 1994, serving as Executive Vice President, Ventures and Alliances. He was President of MTR Enterprises, a consulting company, from April 1994 to June 1994; Executive Vice President and Chief Financial Officer and a director of ICF Kaiser International, Inc., an environmental and engineering services company, from April 1992 to April 1994; and Chairman and Chief Executive Officer of Ranschoff Company, a manufacturer of environmental and industrial equipment, from November 1989 to April 1992.

Mr. Salsbury has been Executive Vice President and General Counsel of MCI since November 1995. He was a partner in the law firm of Jenner & Block for more than five years prior thereto.

Mr. Schneider has been a Senior Vice President of MCI, serving as Senior Vice President of Corporate Finance, since July 1995. He was a Senior Vice President of MCIT, serving as Senior Vice President of Finance for Consumer Markets, from November 1993 to July 1995 and was a Senior Vice President of MCI, serving as Controller, from September 1993 to November 1993. He was a partner in the national accounting firm of Price Waterhouse LLP for more than five years prior thereto. Mr. Schneider is also a director of GCI.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.

PART II

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

MCI Common Stock is traded on the NASDAQ National Market. The tables below set forth the high and low sales prices of the Common Stock as reported for the periods indicated.

	1995	
	HIGH	LOW
1st Quarter	\$21 1/4	\$17 3/8
2nd Quarter	23 1/8	19 7/64
3rd Quarter	27 1/8	20 7/8
4th Quarter	27 1/2	23 3/4

	1994	
	HIGH	LOW
1st Quarter	\$29	\$22 5/8
2nd Quarter	24 15/16	21 3/8
3rd Quarter	25 7/8	21 1/2
4th Quarter	25 1/2	17 1/4

MCI paid cash dividends of \$.025 per share of Common Stock in July and December in each of 1994 and 1995 and an equivalent cash dividend on the shares of Series D Preferred Stock and Class A Common Stock outstanding at the applicable record date.

At February 26, 1996, there were 50,049 holders of record of MCI's Common Stock and 1 holder of record of MCI's Class A Common Stock.

Items 6 through 9.

The information required by these items is included in pages 4 through 29 of the company's Annual Report to Stockholders for the year ended December 31, 1995. The referenced pages of the company's Annual Report to Stockholders have been filed as Exhibit 13 to this Annual Report on Form 10-K. Such information is incorporated herein by reference.

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

None.

PART III

Item 10. Directors and Executive Officers.

Information with respect to executive officers of MCI is set forth in Part I of this Annual Report on Form 10-K.

Information with respect to directors of MCI is incorporated herein by reference to the information under the captions "Election of Directors" and "Compliance with Section 16(a) of the Exchange Act" in MCI's Proxy Statement for its 1996 Annual Meeting of Stockholders (the "1996 Proxy Statement").

Item 11. Executive Compensation.

Information with respect to executive compensation is incorporated herein by reference to the information under the captions "Board of Directors' Committees, Meetings and Fees", "Remuneration of Executive Officers", "Pension Plans" and "Compensation Committee Interlocks and Insider Participation" in the 1996 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and
Management.

Information with respect to security ownership is incorporated herein by reference to the information under the captions "Election of Directors" and "Security Ownership of Management and Certain Beneficial Owners" in the 1996 Proxy Statement.

Item 13. Certain Relationships and Related Transactions.

Information with respect to certain relationships and related transactions is incorporated herein by reference to the information under the caption "Certain Relationships and Related Transactions" in the 1995 Proxy Statement.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) Documents filed as a part of this report.

(1) Financial Statements.

Report of Management

Report of Independent Accountants

Income Statements for the years ended December 31, 1995, 1994 and 1993

Balance Sheets at December 31, 1995 and 1994

Statements of Cash Flows for the years ended December 31, 1994 and 1993

Statements of Stockholders' Equity for the years ended December 31, 1995, 1994 and 1993

Notes to Consolidated Financial Statements

The Financial Statements and Notes thereto are incorporated herein by reference to pages 4 through 29 of the company's Annual Report to Stockholders for the year ended December 31, 1995. See Part II.

(2) Financial Statement Schedule.

The following additional financial data should be read in conjunction with the Financial Statements and Notes thereto which are included in Exhibit 13 to this Annual Report on Form 10-K. Schedules not included with this additional financial data have been omitted because they are not required or applicable or the required information is shown in the Financial Statements or Notes thereto.

Report of Independent Accountants on Financial Statement Schedule

Valuation and Qualifying Accounts (Schedule II)

The Report of Independent Accountants on Financial Statement Schedule is on page 30 of this Annual Report on Form 10-K.

The Financial Statement Schedule is submitted as Exhibit 99(a) to this Annual Report on Form 10-K.

(3) Exhibits.

Executive compensation plans and arrangements required to be filed, and which have been filed, with the Commission pursuant to Item 14(c) of this Annual Report on Form 10-K are listed in this Annual Report on Form 10-K as Exhibits 10(a)-(1).

Exhibit No.	Description
3 (a)	Restated Certificate of Incorporation of MCI Communications Corporation filed on March 28, 1995. (Incorporated by reference to Exhibit 3 (a) to registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
(b)	By-laws of registrant, as amended. (Incorporated by reference to Exhibit 3(ii) to registrant's Form S-3, Reg. No. 33-57155.)
4 (a)	Indenture, dated as of October 15, 1989, between registrant and Bankers Trust Company. (Incorporated by reference to Exhibit 4(c) to registrant's

- Registration Statement on Form S-3, Reg. No. 33-31600.)
- (b) Indenture dated as of October 15, 1989 between registrant and Bankers Trust Company. (Incorporated by reference to Exhibit 4(d) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)
- (c) Indenture dated as of October 15, 1989 between registrant and Citibank, N.A. (Incorporated by reference to Exhibit 4(e) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)
- (d) Indenture dated as of February 17, 1995 between registrant and Citibank, N.A. (Incorporated by reference to Exhibit 4(d) to registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- (e) Form of Senior Fixed Rate Medium-Term Note. (Incorporated by reference to Exhibit 4(f) to registrant's Registration Statement on Form S-3, Reg. No. 33-57155.)
- (f) Form of Senior Floating Rate Medium-Term Note. (Incorporated by reference to Exhibit 4(g) to registrant's Registration Statement on Form S-3, Reg. No. 33-57155.)
- (g) Form of Subordinated Fixed Rate Medium-Term Note. (Incorporated by reference to Exhibit 4(g) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)
- (h) Form of Subordinated Floating Rate Medium-Term Note. (Incorporated by reference to Exhibit 4(i) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)
- (i) Form of 7-5/8% Senior Note due November 7, 1996. (Incorporated by reference to Exhibit 1(c) to registrant's Current Report on Form 8-K dated November 6, 1991.)
- (j) Form of 7-1/2% Senior Note due August 20, 2004. (Incorporated by reference to Exhibit 4 of registrant's Quarterly Report on Form 10-Q for the Quarter Ended June 30, 1992.)

- (k) Form of 7-1/8% Senior Note due January 20, 2000. (Incorporated by reference to Exhibit 1(b) of registrant's Current Report on Form 8-K dated January 19, 1993.)
- (l) Form of 8-1/4% Senior Debenture due January 20, 2023. (Incorporated by reference to Exhibit 1(c) of registrant's Current Report on Form 8-K dated January 19, 1993.)
- (m) Form of 7-3/4% Senior Debenture due March 15, 2024. (Incorporated by reference to Exhibit 4(a) of registrant's Current Report on Form 8-K dated March 12, 1993.)
- (n) Form of 6-1/4% Senior Note due March 23, 1999. (Incorporated by reference to Exhibit 4(a) of registrant's Current Report on Form 8-K dated March 15, 1994.)
- (o) Form of 7-3/4% Senior Debenture due March 23, 2025. (Incorporated by reference to Exhibit 4(b) of registrant's Current Report on Form 8-K dated March 15, 1994.)
- (p) Form of Senior Floating Rate Note due March 16, 1999. (Incorporated by reference to Exhibit 4(c) of registrant's Current Report on Form 8-K dated March 15, 1994.)
- (q) Rights Agreement dated as of September 30, 1994 between the registrant and Mellon Bank, N.A. (Incorporated by reference to Exhibit 4(a) to registrant's Current Report on Form 8-K dated October 4, 1994.)
- 10 (a) 1979 Stock Option Plan of registrant, as amended and restated. (Incorporated by reference to Exhibit 10(a) to registrant's Annual Report on Form 10-K for the year ended December 31, 1988.)
- (b) Supplemental Retirement Plan for Employees of MCI Communications Corporation and Subsidiaries, as amended. (Incorporated by reference to Exhibit 10(b) to registrant's Annual Report on Form 10-K for the year ended December 31, 1993.)

- (c) Description of Executive Life Insurance Plan for MCI Communications Corporation and Subsidiaries. (Incorporated by reference to "Remuneration of Officers" in registrant's Proxy Statement for its 1992 Annual Meeting of Stockholders.)
- (d) MCI Communications Corporation Executive Incentive Compensation Plan. (Incorporated by reference to Exhibit 10(e) to registrant's Annual Report on Form 10-K for the year ended December 31, 1994.)
- (e) MCI Communications Corporation Executive Incentive Compensation Plan.
- (f) Form of Director Indemnification Agreement. (Incorporated by reference to Appendix B to registrant's Proxy Statement for its 1987 Annual Meeting of Stockholders.)
- (g) 1988 Directors' Stock Option Plan of registrant. (Incorporated by reference to Exhibit D to registrant's Proxy Statement for its 1989 Annual Meeting of Stockholders.)
- (h) Stock Option Plan of registrant. (Incorporated by reference to Exhibit C to registrant's Proxy Statement for its 1989 Annual Meeting of Stockholders.)
- (i) Board of Directors Deferred Compensation Plan of Registrant. (Incorporated by reference to Exhibit 10 (e) to registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- (j) The Senior Executive Incentive Compensation Plan of registrant. (Incorporated by reference to Appendix A to registrant's Proxy Statement for its 1996 Annual Meeting of Stockholders.)
- (k) Amendment to the Stock Option Plan of registrant. (Incorporated by reference to Appendix B to registrant's Proxy Statement for its 1996 Annual Meeting of Stockholders.)
- (l) Amendment to the 1988 Directors' Stock Option Plan of registrant. (Incorporated by reference to Appendix C to registrant's Proxy Statement for its 1996 Annual Meeting of Stockholders.)

- (m) \$2,000,000,000 Revolving Credit Agreement dated as of July 8, 1994 among MCI Communications Corporation, Bank of America National Trust and Savings Association and the several financial institutions parties thereto. (Incorporated by reference to Exhibit 10 (a) to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994.)
- (n) Amended and Restated Investment Agreement dated as of January 31, 1994 between MCI Communications Corporation and British Telecommunications plc. (Incorporated by reference to Appendix I of registrant's Notice of Special Meeting of Stockholders and Proxy Statement dated February 4, 1994.)
- (o) Modified Joint Venture Agreement dated as of July 1, 1994 between MCI Communications Corporation and British Telecommunications plc and MCI Ventures Corporation and Moorgate (Twelve) Limited and Concert Communications Company. (Incorporated by reference to Exhibit 10 (e) to registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- (p) Warrant Purchase Agreement by and between The News Corporation Limited and MCI Communications Corporation dated as of August 2, 1995.
- (q) Preferred Stock Purchase Agreement by and among MCI, News Triangle Finance, Inc. and News T Investments, Inc. dated as of August 2, 1995.
- 11 Computation of Earnings per Common Share.
- 12 Computation of Ratio of Earnings to Fixed Charges.
- 13 Specified portions (pages 4 through 29) of the registrant's Annual Report to Stockholders for the year ended December 31, 1995.
- 21 Significant Subsidiaries of MCI Communications Corporation.
- 23 Consent of Independent Accountants.
- 27 Financial Data Schedule.
- 99 (a) Valuation and Qualifying Accounts (Schedule II).

(b) Capitalization Schedule.

(b) Reports on Form 8-K. None.

(c) Exhibits.

See Item 14(a)(3) of this Annual Report on Form 10-K.

(d) Financial Statement Schedules.

See Items 14(a)(2) and 14(a)(3) of this Annual Report on Form 10-K.

Report of Independent Accountants on
Financial Statement Schedule

To the Board of Directors
MCI Communications Corporation

Our audits of the consolidated financial statements referred to in our report dated January 29, 1996 appearing on page 29 of MCI Communications Corporation's Annual Report to Stockholders for the year ended December 31, 1995 (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(a)(2) of this Annual Report on Form 10-K. In our opinion, the Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/PRICE WATERHOUSE LLP

PRICE WATERHOUSE LLP

Washington, D.C.
January 29, 1996

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MCI COMMUNICATIONS CORPORATION

Dated: March 29, 1996 By: /s/ Bert C. Roberts, Jr.
Bert C. Roberts, Jr.
Chairman

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on March 29, 1996 on behalf of the registrant and in the capacities indicated.

Signature	Title
/s/ Bert C. Roberts, Jr. Bert C. Roberts, Jr.	Principal Executive Officer, Director
/s/ Douglas L. Maine Douglas L. Maine	Principal Financial Officer
/s/ James M. Schneider James M. Schneider	Principal Accounting Officer
/s/ Clifford L. Alexander, Jr. Clifford L. Alexander, Jr.	Director
/s/ Judith Areen Judith Areen	Director
/s/ Michael H. Bader Michael H. Bader	Director

..... Sir Peter L. Bonfield	Director
/s/ Richard M. Jones Richard M. Jones	Director
/s/ Gordon S. Macklin Gordon S. Macklin	Director
..... Alfred T. Mockett	Director
/s/ K. Rupert Murdoch K. Rupert Murdoch	Director
/s/ Dr. Alan W. Rudge Dr. Alan W. Rudge	Director
/s/ Richard B. Sayford Richard B. Sayford	Director
/s/ Gerald H. Taylor Gerald H. Taylor	Director
/s/ Judith Whittaker Judith Whittaker	Director
/s/ John R. Worthington John R. Worthington	Director

Exhibit Index

Exhibit No.	Description
3 (a)	Restated Certificate of Incorporation of WCI Communications Corporation filed on March 28, 1995. (Incorporated by reference to Exhibit 3 (a) to registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
(b)	By-laws of registrant, as amended. (Incorporated by reference to Exhibit 3 (ii) to registrant's Form S-3, Reg. No. 33-57155.)
4 (a)	Indenture, dated as of October 15, 1989, between registrant and Bankers Trust Company. (Incorporated by reference to Exhibit 4(c) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)
(b)	Indenture dated as of October 15, 1989 between registrant and Bankers Trust Company. (Incorporated by reference to Exhibit 4(d) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)
(c)	Indenture dated as of October 15, 1989 between registrant and Citibank, N.A. (Incorporated by reference to Exhibit 4(e) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)
(d)	Indenture dated as of February 17, 1995 between registrant and Citibank, N.A. (Incorporated by reference to Exhibit 4 (d) to registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
(e)	Form of Senior Fixed Rate Medium-Term Note. (Incorporated by reference to Exhibit 4(f) to registrant's Registration Statement on Form S-3, Reg. No. 33-57155.)
(f)	Form of Senior Floating Rate Medium-Term Note. (Incorporated by reference to Exhibit 4(g) to

	registrant's Registration Statement on Form S-3, Reg. No. 33-57155.)
(g)	Form of Subordinated Fixed Rate Medium-Term Note. (Incorporated by reference to Exhibit 4(g) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)
(h)	Form of Subordinated Floating Rate Medium-Term Note. (Incorporated by reference to Exhibit 4(i) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)
(i)	Form of 7-5/8% Senior Note due November 7, 1996. (Incorporated by reference to Exhibit 1(c) to registrant's Current Report on Form 8-K dated November 6, 1991.)
(j)	Form of 7-1/2% Senior Note due August 20, 2004. (Incorporated by reference to Exhibit 4 of registrant's Quarterly Report on Form 10-Q for the Quarter Ended June 30, 1992.)
(k)	Form of 7-1/8% Senior Note due January 20, 2000. (Incorporated by reference to Exhibit 1(b) of registrant's Current Report on Form 8-K dated January 19, 1993.)
(l)	Form of 8-1/4% Senior Debenture due January 20, 2023. (Incorporated by reference to Exhibit 1(c) of registrant's Current Report on Form 8-K dated January 19, 1993.)
(m)	Form of 7-3/4% Senior Debenture due March 15, 2024. (Incorporated by reference to Exhibit 4(a) of registrant's Current Report on Form 8-K dated March 12, 1993.)
(n)	Form of 6-1/4% Senior Note due March 23, 1999. (Incorporated by reference to Exhibit 4(a) of registrant's Current Report on Form 8-K dated March 15, 1994.)
(o)	Form of 7-3/4% Senior Debenture due March 23, 2025. (Incorporated by reference to Exhibit 4(b) of registrant's Current Report on Form 8-K dated March 15, 1994.)
(p)	Form of Senior Floating Rate Note due March 16, 1999. (Incorporated by reference to Exhibit 4(c) of

registrant's Current Report on Form 8-K dated March 15, 1994.)

- (j) Rights Agreement dated as of September 30, 1994 between the registrant and Mellon Bank, N.A. (Incorporated by reference to Exhibit 4(a) to registrant's Current Report on Form 8-K dated October 4, 1994.)
- 10 (a) 1979 Stock Option Plan of registrant, as amended and restated. (Incorporated by reference to Exhibit 10(a) to registrant's Annual Report on Form 10-K for the year ended December 31, 1988.)
- (b) Supplemental Retirement Plan for Employees of MCI Communications Corporation and Subsidiaries, as amended. (Incorporated by reference to Exhibit 10(b) to registrant's Annual Report on Form 10-K for the year ended December 31, 1993.)
- (c) Description of Executive Life Insurance Plan for MCI Communications Corporation and Subsidiaries. (Incorporated by reference to "Remuneration of Officers" in registrant's Proxy Statement for its 1992 Annual Meeting of Stockholders.)
- (d) MCI Communications Corporation Executive Incentive Compensation Plan. (Incorporated by reference to Exhibit 10 (e) to registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- (e) MCI Communications Corporation Executive Incentive Compensation Plan.
- (f) Form of Director Indemnification Agreement. (Incorporated by reference to Appendix B to registrant's Proxy Statement for its 1987 Annual Meeting of Stockholders.)
- (g) 1988 Directors' Stock Option Plan of registrant. (Incorporated by reference to Exhibit D to registrant's Proxy Statement for its 1989 Annual Meeting of Stockholders.)
- (h) Stock Option Plan of registrant. (Incorporated by reference to Exhibit C to registrant's Proxy Statement for its 1989 Annual Meeting of Stockholders.)

- (i) Board of Directors Deferred Compensation Plan of Registrant. (Incorporated by reference to Exhibit 10 (e) to registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- (j) The Senior Executive Incentive Compensation Plan of registrant. (Incorporated by reference to Appendix A to registrant's Proxy Statement for its 1996 Annual Meeting of Stockholders.)
- (k) Amendment to the Stock Option Plan of registrant. (Incorporated by reference to Appendix B to registrant's Proxy Statement for its 1996 Annual Meeting of Stockholders.)
- (l) Amendment to the 1988 Directors' Stock Option Plan of registrant. (Incorporated by reference to Appendix D to registrant's Proxy Statement for its 1996 Annual Meeting of Stockholders.)
- (m) \$2,000,000,000 Revolving Credit Agreement dated as of July 8, 1994 among MCI Communications Corporation, Bank of America National Trust and Savings Association and the several financial institutions parties thereto. (Incorporated by reference to Exhibit 10 (a) to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994.)
- (n) Amended and Restated Investment Agreement dated as of January 31, 1994 between MCI Communications Corporation and British Telecommunications plc. (Incorporated by reference to Appendix I of registrant's Notice of Special Meeting of Stockholders and Proxy Statement dated February 4, 1994.)
- (o) Modified Joint Venture Agreement dated as of July 1, 1994 between MCI Communications Corporation and British Telecommunications plc and MCI Ventures Corporation and Moorgate (Twelve) Limited and Concert Communications Company. (Incorporated by reference to Exhibit 10 (e) to registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- (p) Warrant Purchase Agreement by and between The News Corporation Limited and MCI Communications Corporation dated as of August 2, 1995.

- (q) Preferred Stock Purchase Agreement by and among MCI, News Triangle Finance, Inc. and News T. Investments, Inc. dated as of August 2, 1995.
- 11 Computation of Earnings per Common Share.
- 12 Computation of Ratio of Earnings to Fixed Charges.
- 13 Specified portions (pages 4 through 29) of the registrant's Annual Report to Stockholders for the year ended December 31, 1995.
- 21 Significant Subsidiaries of MCI Communications Corporation.
- 23 Consent of Independent Accountants.
- 27 Financial Data Schedule.
- 99 (a) Valuation and Qualifying Accounts (Schedule II).
- (b) Capitalization Schedule.

NEXT

DOCUMENT (S)

DISREGARD

BACKGROUND

MCI Report

95



MCI COMMUNICATIONS CORPORATION

1995 MCI ANNUAL REPORT

TO MCI's STOCKHOLDERS:

A REMARKABLE YEAR

By any measure, MCI® had a remarkable year in 1995.

We had outstanding calling volume, revenue growth, operating income and earnings. It is clear that long distance is one of the world's most dynamic and healthy businesses and that MCI continues to lead the growth of our industry.

Perhaps most important of all was how we prepared your company for the future — a future that includes new competitors and the greatest growth opportunity in MCI's history now that the local telecommunications market is open to competition.

In last year's letter, I said that 1995 would be a pivotal year. It was. We delivered on our goal to grow our core long distance business. We also made great progress in our goal to leverage the core business into contiguous markets and to integrate digitized content and delivery.

In 1995, MCI became much more than a long distance company. We became one of the world's most diversified communications corporations. We made strategic investments in areas such as information technology, global services and wireless communications. We also developed ways to create and deliver digitized content. We became more because our relationships with our customers have changed and so has the definition of our business.

In the past, MCI had a transactional relationship with our business customers, principally carrying their voice and data traffic. Later, we served a consultative role by helping them design their telecommunications networks. Today, as the needs of our customers have changed and our portfolio of services has grown, we have become their strategic partner, integrally linked with our customers' businesses.

Our relationship with customers in the residential market also has changed. Consumers are increasingly using sophisticated MCI service such as electronic mail and paging.

No company has been as aggressive or effective as MCI in providing customers with new products and services. And our ability to innovate, to market new products, and to continue to address the marketplace better and faster than others will ensure our success in the future as it has in the past.

Success in the telecommunications market is no longer a simple matter of price. Success today is about meeting complex customer needs with valuable services — something MCI has been doing since its inception.



Bert C. Roberts, Jr.

STRONG RESULTS

We certainly pleased our customers in 1995, as evidenced by another year of record revenue. And, as our stockholders asked us to, we have begun reporting our core business and ventures and developing markets separately.

For the full year, revenue was \$15.3 billion, an increase of \$2 billion, or 14 percent, over 1994 revenue of \$13.3 billion.

The core business drove this growth with revenue of \$15 billion, which was a 13 percent increase from 1994.

Excluding special charges, overall net income rose to \$1.1 billion in 1995, a 20 percent increase over 1994 net income of \$887 million. Earnings per share was \$1.35, a five percent increase over \$1.47 for 1994, excluding charges in both years.

Operating cash flow grew to \$3 billion, a 26 percent increase over \$2.4 billion in 1994. This improvement resulted from new efficiencies in our business, largely from efforts to streamline our operations, which began in the third quarter of 1995. MCI recorded

special pretax charges of \$831 million as part of our restructuring actions. Including these charges and charges recorded in the prior year, 1995 earnings per share was 80 cents versus \$1.32 for 1994.

MCI's marketplace is full of positive trends. It is clear that communications are increasingly being used by people to conduct their everyday lives. Our growth has come from our agility and the quickness with which we identify and capitalize on these trends.

In 1995, a full one-third of the new customers we gained in the residential market came to us through newly introduced brands.

MCI also had a combined 20 percent increase in revenue from products such as 1-800-COLLECT®, calling cards and 800 numbers. The enhanced Friends & Family® brand enjoyed another strong year as well.

Business markets had strong growth in 800 and international services. Data services revenue exceeded \$1.3 billion in 1995, a 34 percent increase in revenue over 1994. In the near future, our business customers will transmit more data traffic than they do voice traffic. This is a very significant change in the way customers are transmitting information, and our data services have expanded to reflect this trend.

TELECOMMUNICATIONS LEGISLATION: THE GREATEST OPPORTUNITY IN MCI HISTORY

On February 8, 1996 — a day we declared "Independence Day" for local telephone customers — President Clinton signed legislation that reforms antiquated laws which have been on the books for more than 60 years.

This legislation opens to competition a massive, \$500 billion communications and information market with exploding growth potential. The players in this market will use innovative new products and services and increased geographical reach to literally change the way the world communicates and functions. The new, highly advanced services that competition will create will produce still more demand, more services, and more growth for the successful companies operating in this market.

For MCI, the opening of the local telecommunications market represents the greatest opportunity in our history. The last time we faced a similar opportunity was in 1985 — the year "equal access" freed customers from dialing extra numbers to place their long distance calls. Then, we looked at competing in a \$46 billion long distance market, which has grown into a \$75 billion market. Now, the newly opened local market is more than \$94 billion and is estimated to grow to \$128 billion by 2002.

Not only does MCI now have an extraordinary revenue opportunity by offering local services, we have the chance to cut deeply into access costs that are 46 percent of our revenue.

The local market is also as rich as it is big. While operating cash flow for the long distance industry is a healthy 20 percent, the seven regional Bell operating companies (RBOCs) have an operating cash flow of 46 percent.

One of MCI's distinguishing characteristics is how we view customers. We don't have the inherited customer base of a monopoly — we fought for every customer we have. And, over the last five years, the company has captured nearly 40 percent of the entire growth of the long distance market, which has more than 500 competitors. Maybe that's why MCI is often characterized as our industry's best marketer.

We have a variety of ways to pursue the vast local market, including partnering with other companies to construct and use an alternative local network. We can also enter into discounted resale agreements with the RBOCs.

Finally, we have the resources of MCI Metro™. At the end of 1995, MCI Metro had 38 local city networks operational in 25 major U.S. cities with 10 local service switches installed. MCI Metro currently has regulatory approval as a competitive local exchange carrier in 15 states, with applications pending in five additional states. We will use MCI Metro to expand the delivery of enabling technologies to our customers, and to drive access cost reductions.

LEVERAGING THE CORE BUSINESS INTO CONTIGUOUS MARKETS

Contiguous markets are markets in which our services can be integrated with the MCI network and support systems and delivered to customers in a valuable package. In 1995, we made key investments to broaden our portfolio of services.

In September, we purchased Nationwide Cellular Service, Inc., the largest independent reseller of cellular phone service in the country, for approximately \$210 million. While others are investing billions in wireless infrastructure, the acquisition of Nationwide and other agreements have given us access to more than 75 percent of the U.S. population, including all the top 100 U.S. markets. We accomplished this for a fraction of the cost of a massive build-out.

We introduced consumer and business customer cellular services in 1995. Our business service is initially available in top 10 markets and will be expanded nationally.

Cellular service can be integrated with our other wireless products: paging. MCI had tremendous success in the marketing and selling of paging products in 1995. In our first year of offering service, MCI became the fastest growing provider of pagers in the country.

One of the most promising opportunities for MCI is in professional services and information technology (IT), which combined will be a \$250 billion market in 1999. This market includes call center outsourcing, network and computer consulting and systems integration.

MCI has already used our skills in operating the world's most technologically advanced call centers. We provide services to customers such as Reader's Digest and Compaq. We are also providing customer service for Microsoft's Microsoft Network.

In November 1995, MCI acquired SHL Systemhouse Inc. for approximately \$1.1 billion to offer customers a wide range of computing consulting and outsourcing services.

MCI is combining our network products with SHL's computing, consulting, and outsourcing expertise. SHL has more than 6,000 IT professionals and staff and is a recognized leader in helping customers transform their earlier generation mainframe technology to advanced client/server systems.

MCI and SHL have already introduced a suite of Enterprise Management Services to address customers' network, computing and systems requirements. For example, in early 1996 we installed a new system to handle all emergency 911 calls in five boroughs of New York through a system built by SHL.

SHL will also serve us well in marketing and selling services through our alliance with Microsoft, which was announced in January 1996.

MCI and Microsoft will jointly develop and market a variety of Internet and network services. The alliance aligns two tremendous forces: MCI's marketing and network distribution capabilities and Microsoft's strength in the computer software and applications market. The net result is that customers will be able to get state-of-the-art networking and Internet capabilities packaged with a variety of other MCI services.

Our investments should give you an understanding of why I am so optimistic about our future not only in the U.S., but around the world.

In 1995, Concert* — the joint venture company formed by MCI and British Telecommunications plc, which is providing worldwide voice and data services for multinational customers — continued to build on its substantial industry lead. Concert has quickly established itself as the premier international alliance, and the Concert network is deployed in more than 30 countries. MCI and BT also have more than \$1 billion in contracts and 2,500 customers of services such as Concert Virtual Network Services, Concert Frame Relay Service, and Concert Packet Services.

In Mexico, AVANTEL®, MCI's joint venture with Grupo Financiero Banamex-Accival (Banacci), is progressing very well. We began construction of a 3,200 mile fiber-optic network in 1995 that will connect Mexico City, Monterrey, Guadalajara, and 30 other Mexican cities. In fact, by the end of the first quarter, we will have 75 percent of network construction completed.

When the \$7 billion Mexican telecommunications market opens for competition in August 1996, the joint venture will offer a full range of domestic and international business services. We will offer full switched long distance services for the entire market beginning in January 1997.

INTEGRATING DIGITIZED CONTENT WITH DELIVERY

Powerful content is driving the need for expanding bandwidth requirements. We see the integration of content creation and its delivery as a very important element in serving customers. That's why we've invested in and partnered with The News Corporation Limited.

News Corp. is the premier global creator and distributor of content. Its properties include the Fox Broadcasting Network; Twentieth Century Fox movie studio; HarperCollins publishing; more than 130 English-language newspapers and magazines, including TV Guide; BSKyB, the leading pay subscription satellite TV service in the U.K.; and STAR TV satellite service, which reaches two thirds of the world's population.

MCI has the unique opportunity to take advantage of the incredible abundance of News Corp. properties. We can use News Corp.'s expertise to develop new services that can be delivered online or through digital satellite. In January, MCI won the last satellite license that spans across the entire U.S. for \$682 million.

Together with News Corp., we will be able to offer a distribution service not only in the continental U.S., but around the globe by late 1997. News Corp.'s vast experience will serve us well in offering specialized information and entertainment programming to the home. We also intend to exploit many untapped business market applications, such as delivering software, corporate information, distance learning and training programs.

GREAT OPPORTUNITY AHEAD

Throughout our history, MCI has done what others thought was impossible.

In addition to identifying and seizing big market opportunities in the long distance industry, we've actually created new markets by introducing competition where none previously existed. Two recent examples are call center outsourcing and the collect calling market.

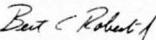
Today a large new opportunity is ahead of us. To succeed, we will do what we always have done — use our creativity to develop new markets and capture opportunities with our unique energy and spirit.

We plan to continue to leverage our creative advantages and to join with powerful partners. We will also implement our ideas better and faster than anyone else through our "infrastructure," which combines our marketing and merchandising ability, databases, customer service platform and distribution channels.

With the momentum of our performance and these strengths, we can confidently answer the question of how we will continue our tremendous record of success in the new communications and information market.

We know the game we're in because we've been here before. In fact, we helped create it.

Now is the time for MCI to again do what we instinctively do best — create, compete and win.



Bert C. Roberts, Jr.
Chairman and Chief Executive Officer

February 24, 1996

*Concert is a mark of the Concert Communications Company.

SELECTED FINANCIAL INFORMATION

Year ended December 31,

(In millions, except per share amounts and employees)

	1995	1994	1993	1992	
RESULTS OF OPERATIONS					
Revenue	\$ 15,265	\$ 13,338	\$ 11,921	\$10,562	\$
Total operating expenses	(14,147)	(11,882)	(10,653)	(9,351)	
Income from operations	1,118	1,456	1,268	1,211	
Equity in income (losses) of affiliated companies	(187)	(4)	(2)	(2)	
Income before extraordinary item	548	795	627	609	
Net income	548	795	582	609	
Earnings applicable to common stockholders	548	794	581	589	
Earnings per common and common equivalent share	.80	1.32	1.04	1.11	
Cash dividends per share	.05	.05	.05	.05	
BALANCE SHEET					
Gross investment in property and equipment	\$ 15,347	\$ 13,408	\$ 11,618	\$10,316	\$
Total assets	19,301	16,366	11,276	9,678	
Long-term debt	3,444	2,997	2,366	3,432	
Stockholders' equity	9,602	9,004	4,713	3,150	
CASH FLOW					
Cash from operating activities	\$ 2,979	\$ 2,355	\$ 1,978	\$ 1,726	\$
Capital expenditures for property and equipment	2,866	2,897	1,733	1,272	
Acquisition (disposition) of businesses and investment in affiliates and News Corp.	2,737	284	8	(22)	
OPERATIONS					
Capacity circuit miles	6,786	4,767	3,556	2,107	
Billable calls	23,365	19,411	16,484	14,245	12
Number of full-time employees	50,367	40,667	36,235	30,964	27

In September and November 1995, the company acquired all of the outstanding shares of common stock of Nationwide Cellular Service, Inc. and SHL Systemhouse Inc., respectively. These acquisitions were accounted for as purchases; accordingly, the net assets and results of operations of the acquired companies are included in the information above since their respective acquisition dates.

In 1994, British Telecommunications plc (BT) completed the purchase of 136 million shares of the company's Class A common stock for \$4.3 billion, which resulted in a 20% voting interest in the company. This was achieved by the issuance of 108.3 million shares of Class A common stock to BT for \$3.3 billion September 30, 1994 and BT's conversion of 13,736 shares of Series D convertible preferred stock, purchased for \$830 million in June 1993, into 27.5 million shares of Class A common stock. This investment is reflected in stockholders' equity.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of the company's consolidated results of operations and financial condition. The discussion should be read in conjunction with the consolidated financial statements and accompanying notes.

The company operates predominantly in a single industry segment, the telecommunications industry. The industry consists of a wide range of telecommunications services to residential and business customers, including domestic and international long distance voice and data services, teleconferencing and electronic messaging services, which are the markets in which the company has historically operated (core business). Management has embarked on a strategy to expand the company's business into certain developing markets, including the local, wireless, information technology and multimedia markets, which is discussed in further detail in the Enterprise Reporting section of Management's Discussion and Analysis.

FINANCIAL SUMMARY

In 1995, total revenue grew \$1.9 billion or 14% over the prior year versus \$1.4 billion or 12% in 1994. Revenue from the company's core business grew \$1.7 billion or 13% and traffic increased 16% over 1994. The company's revenue growth from its core business in 1995 was approximately 33% of the total long distance industry growth, estimated to be approximately \$5 billion.

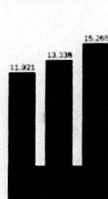
	1995 vs. 1994	1994 vs. 1993
Increase in core business revenue	13%	12%
Increase in traffic and other services	16%	12%
Revenue to traffic variance	(13)%	—%

In 1995, the company's variance of (3)% between revenue growth and traffic growth in the core business was due primarily to growth in large account and carrier market traffic, which typically carries both a lower average revenue rate and lower overall costs, and due to increased volume and promotional discounts for consumer market customers. International growth of 33% in 1995 and 20% in 1994 continued to affect the revenue to traffic variance favorably.

Income from operations decreased 23% to \$1.118 million in 1995, which followed a 15% increase in 1994. In 1995, 1994 and 1993, operating income was affected by special pretax operating charges of \$736 million, \$133 million and \$150 million, respectively. Excluding these charges, which are discussed below, operating income and margins would have been \$1,854 million or 12.1% in 1995; \$1,389 million or 11.9% in 1994; and \$1,418 million or 11.9% in 1993.

REVENUE

in millions of dollars



BILLABLE CALLS

in millions



Earnings were \$548 million or \$80 per share for 1995; \$794 million or \$1.32 per share for 1994; and \$581 million or \$1.04 per share for 1993. Excluding special items in 1995, 1994 and 1993, and an extraordinary loss on early debt retirements in 1993, earnings per share would have been \$1.55, \$1.47 and \$1.28, respectively. The September 1994 issuance of 136 million shares of Class A common stock to British Telecommunications plc (BT) had a full year dilutive impact on earnings per share in 1995 versus 1994 and 1993. In 1995, earnings per share was also negatively affected by the results of the company's recent business acquisitions and investments in ventures and developing markets.

In 1994, BT completed its purchase of 136 million shares of the company's Class A common stock for \$4.3 billion, which resulted in a 20% voting interest in the company. This was achieved by the issuance of 108.5 million shares of Class A common stock to BT for \$3.5 billion on September 30, 1994 and BT's conversion of 13,736 shares of Series D convertible preferred stock, purchased for \$830 million in June 1993, into 27.5 million shares of Class A common stock.

During the third quarter of 1995, the company implemented a reorganization designed to increase efficiency, enhance marketplace effectiveness and improve business focus. The reorganization was largely in response to the rapid changes in business scope, technology and regulation affecting the telecommunications industry. The company consolidated its core business and centralized major administrative functions. The core business includes network operations, information systems and the former Business Markets and Consumer Markets groups. In connection with the reorganization and other third quarter 1995 events, the company recorded special pretax charges of \$831 million. After the applicable tax benefit, the charge resulted in a reduction to earnings of \$518 million, or \$.75 per share.

In 1994, the company recorded special pretax items totaling \$148 million, which related primarily to reduced utility of older asynchronous fiber-optic transmission equipment and product launch costs. In 1993, the company recorded a special pretax charge of \$150 million primarily associated with a strategic realignment and streamlining of engineering and network operations. Also, 1993 results included an extraordinary loss of \$45 million, net of tax benefit, for the early retirement of debt.

BOOK VALUE PER
SHARE
in dollars



MARKET TO BOOK
RATIO



BUSINESS ACQUISITIONS AND INVESTMENTS IN VENTURES AND DEVELOPING MARKETS

In November 1995, the company acquired all the outstanding shares of SHL Systemhouse Inc. (SHL) for U.S. \$13 per share or approximately U.S. \$1.13 billion. The company anticipates that SHL, a Canadian corporation which provides information technology services to commercial and government enterprises, will provide it with the ability to design, build and manage information solutions that integrate computing and communications technologies for its business customers.

In September 1995, the company acquired all the outstanding shares of Nationwide Cellular Service, Inc. (Nationwide) for approximately \$210 million. The acquisition of Nationwide represents part of the company's strategy to provide wireless services integrated with other company services for both consumer and business customers. In addition, during 1995, the company negotiated agreements with a number of cellular companies to purchase wireless services for resale. These agreements, including arrangements that Nationwide has with other cellular carriers, give the company the ability to market wireless services in the top 100 U.S. markets.

In August 1995, the company made an initial investment of \$1 billion in The News Corporation Limited (News Corp.). The investment was comprised of (i) an aggregate of \$1 billion of preferred shares of two U.S. subsidiaries of News Corp. (News Triangle Finance, Inc. and News T Investments, Inc.) with stated value and liquidation preference of \$850 million and bearing a dividend rate of 5.147% (which is eligible for the dividend received deduction under current income tax law) and (ii) a four year warrant (purchase price of \$150 million) to acquire up to approximately 155 million News Corp. common shares for \$850 million. The exercise price of the warrant is payable, at the company's option, in cash, through the tender of the preferred shares or a combination of both. In addition, the company has an option for five years to invest an additional \$1 billion under the same terms and for the same consideration as its initial investment. Under certain circumstances, News Corp. shall have the right to cause the company to make the additional \$1 billion investment or a portion thereof. In January 1996, News Corp. exercised a portion of this right by requiring the company to invest \$350 million in the first half of 1996. As a result of the alliance with News Corp., the companies are working together on the formation of ventures in the multimedia service arena, including a new broadcast satellite (DBS) venture.

During 1995, the company also invested a total of approximately \$800 million in other ventures and developing markets, including Concert Communications Company (Concert), AVANTEL S.A. de C.V. (AVANTEL) and MCI Metro, Inc. (MCI Metro). Furthermore, in January 1996, the company and Microsoft Corporation announced their intent to enter into a strategic alliance to jointly market and develop a range of services in the on-line, Internet and networking markets.

These acquisitions and investments are discussed in more detail in the Enterprise Reporting section.

CURRENT LEGISLATION

On February 8, 1996, the Telecommunications Act of 1996 (Act) was signed into law. This legislation constitutes the most comprehensive revision of the United States' communications policies in more than 60 years. The Act eliminates legal barriers to competition in the local telephone market and, at the same time, contains provisions intended to protect consumers as businesses from unfair competition by the seven regional Bell operating companies (RBOCs). The RBOCs will be able to offer long distance services outside their regions immediately, but will be barred from offering in-region long distance service until they have opened their own markets and face facilities-based local competition. Further, the entry of an RBOC into the long distance market in its region requires the approval of the

Federal Communications Commission (FCC) which, in consultation with the Department of Justice, must find such entry to be in the public interest. With the passage of the legislation, the company can enter local telephone markets by building new facilities, reselling local network capacity, and partnering with other new market entrants, including other long distance companies. It is too soon to determine the legislation's eventual impact on the company's financial position and results of operations.

RECENT ACCOUNTING PRONOUNCEMENTS

In October 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation." SFAS 123 establishes financial accounting and reporting standards for stock-based employee compensation plans and is effective for fiscal years beginning after December 15, 1995. The company expects to continue to apply the accounting provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in determining its net income. However, beginning in 1996, additional disclosures will be made about the estimated compensation expense under the method established by SFAS 123.

RESULTS OF OPERATIONS

REVENUE

In the business market, revenue and traffic showed continued growth in 1995 and 1994, which was driven by increases in most segments, particularly mid-sized customer, large account and carrier segments. Revenue increases in 1995 were primarily attributable to growth in data products, which grew 34% in 1995, as well as the continued success of the company's virtual private network product (Vnet®), MCI Vision® and 800 services. The 1994 revenue growth was largely in 800 revenue, which resulted, in part, from the FCC's 800 service number portability ruling, which took effect in May 1993, and in data revenue, which increased 35% in 1994, in part, from the company's purchase of BT North America Inc. in January 1994.

In the consumer market, revenue and traffic growth in 1995 and 1994 was driven by the company's Friends & Family products, collect-calling product (1-800-COLLECT), calling card products and consumer 800 number products.

In 1995, revenue of acquired companies contributed to approximately 10% of the company's consolidated year-over-year revenue growth.

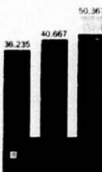
TELECOMMUNICATIONS

The principal components of telecommunications expense are the cost of access facilities provided by local exchange carriers and other domestic service providers, and payments made to foreign telephone companies (international settlements) to complete calls made to foreign countries from the U.S. by the company's customers. In the core business, telecommunications expense as a percentage of revenue declined to 51.9% in 1995 from 52.1% in 1994 and 53.7% in 1993 due to reductions in domestic access and international settlement rates. The decline from 1993 was also a result of efficiencies resulting from operator services automation.

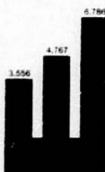
SALES, OPERATIONS AND GENERAL

Sales, operations and general expenses increased as a percentage of revenue to 29.5% in 1995 from 28.4% in 1994 and 27.8% in 1993. The year-over-year increases primarily related to special charges of \$216 million in 1995, discussed below; \$70 million for the launch of network MCI BUSINESS™ in 1994; and the \$150 million realignment charge in 1993. The 1995 sales, operations and general expenses also include the cost of hardware and licensed software of approximately \$64 million, which related to information technology services revenue of SHL since its acquisition in November 1995. Excluding these costs and the special charges, sales, operations and general expenses would have been 27.7%, 27.9% and 26.5% of revenue in 1995, 1994 and 1993, respectively. The 1995 decrease in these expenses as a percentage of revenue was primarily due to cost savings associated with reorganization efforts, while the increase in 1994 was primarily due to higher personnel costs, higher levels of advertising and related sales and marketing expenses.

NUMBER OF
FULL-TIME EMPLOYEES



CAPACITY
CIRCUIT MILES
(in millions)



DEPRECIATION

Depreciation expense increased year-over-year by \$132 million or 11% in 1995 and by \$206 million or 21% in 1994. These increases were primarily a result of additions to the communications system network, which were made in order to increase network capacity, redundancy and reliability. The 1995 depreciation expense reflected depreciation savings associated with the asset write-down discussed below. Depreciation expense in 1994 also included a \$63 million special charge to recognize the reduced utility of older asynchronous fiber-optic transmission equipment and to reflect the results of an asset utilization review. The company expects depreciation expense to continue to increase with the expansion of its communications system network.

1995 SPECIAL CHARGES

As previously mentioned, the company recorded special pre-tax charges of \$831 million during the third quarter of 1995. The charges were comprised of the following three major components.

The company recorded a \$520 million charge for an asset write-down, which reflected a decline in value of certain of the company's assets caused by changes in the business and technology strategy. The write-down primarily related to communications systems and administrative assets that have become redundant or were no longer aligned with strategic product offerings. The amount of the write-down was measured in conformity with the Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which the company adopted in the third quarter of 1995. Under this standard, charges were taken for the difference between the current carrying value and the estimated fair value of such assets at the expected disposal date. In the company's case, the fair value of most of the assets covered by this write-down was deemed to be salvage value. Disposal or abandonment of substantially all of these assets occurred by December 31, 1995.

The company also recorded a \$216 million charge in sales, operations and general expenses, which related primarily to reorganization costs. These costs included approximately \$50 million of severance associated with a workforce reduction, \$55 million of lease obligations and penalties associated with vacating facilities, and \$45 million of costs to modify and terminate contracts associated with changes in the business organization and strategic product offerings. The remainder of the charge included other costs associated with the company's business reorganization and certain legal costs. The company

expects to reduce its workforce by approximately 2,800 employees, of whom approximately 2,400 had left the company as of December 31, 1995. The remaining employees are expected to leave during the first half of 1996. The terminated employees, which included management and nonmanagement, were primarily sales, support and systems engineering personnel located at business administrative and operations sites. The company abandoned excess and duplicate facilities at various business and operations locations due to automation, workforce reductions and centralization.

As of December 31, 1995, the company had incurred \$55 million of the accrued reorganization costs with the majority of the remaining costs to be incurred during 1996. The remaining accrual is primarily comprised of costs associated with lease obligations, severance, modification and termination of contracts, other business reorganization costs and certain accrued legal costs. The reorganization accrual is charged as applicable severance payments are disbursed, or when rent expense is incurred or lease termination costs are disbursed when contract settlements are completed and payment is disbursed. Other costs are charged as incurred. Cash expenditures for these expenses were and will continue to be funded from cash from operations.

In addition, the company recorded a charge of \$95 million in equity in income (losses) of affiliated companies, which related to several investees where restructuring plans were implemented in the third quarter of 1995 or where product offerings were not expected to generate future cash flows sufficient to recover current carrying values.

As a result of the reorganization, the company expects to realize annual savings of approximately \$100 million in sales operations and general expenses. The depreciation savings from the asset write-down will partially offset increases in depreciation expense from continuing additions to the communications system.

OTHER

Interest expense decreased in 1995 and 1994 from prior years. During 1995, the company issued and assumed new debt financings as a result of the purchase of SHL in November 1999. The increase in average debt balances and higher interest rates increased interest costs in 1995 and 1994; however, these increases were more than offset by increased capitalized interest due to the company's increased investment in its communications system.

Interest income increased significantly in 1995 and 1994 from 1993 due to the investment of the BT proceeds received in September 1994. Interest income declined in the fourth quarter of 1995 and will continue to decline in 1996 as cash is used to fund the company's business acquisitions and its investments in ventures and developing markets.

Other expense, net, decreased by \$37 million in 1995, which reflected a \$25 million charge recorded in 1994 in connection with the settlement of two class action suits and the dividend income of \$18 million from News Corp. recorded in 1995.

EQUITY IN INCOME (LOSSES) OF AFFILIATED COMPANIES

The company's equity in losses from its investment in affiliates, exclusive of the aforementioned special charge impact, was \$92 million in 1995. The majority of the 1995 losses were attributable to Concert and In-Flight Phone Corporation. Equity in losses of affiliated companies was \$4 million in 1994, which included Concert losses that were partially offset by a gain on the sale of the company's equity investment in AAP Telecommunications Pty. Ltd. The company expects losses to continue in 1996 due to the start-up nature of these and other investments in ventures and developing markets as discussed in the Enterprise Reporting section.

WEIGHTED AVERAGE SHARES

Weighted average shares increased approximately 14% in 1995 due to the issuance to BT in September 1994 of 108.5 million shares of Class A common stock.

ENTERPRISE REPORTING

The company has invested in ventures and developing markets outside of its core business through acquisitions, alliances and other strategic initiatives in the local, wireless, information technology, international and multimedia markets. Investments in these ventures and developing markets are included in the company's financial statements as consolidated subsidiaries, unconsolidated equity investments, or cost method investments such as News Corp.

This section segregates the performance of the company's core business from its investments in ventures and developing markets business. The following unaudited information was prepared using all amounts included in the company's consolidated financial statements and reflects estimates and allocations that management believes provide a reasonable basis on which to present such information. The revenue and income amounts include sales of services between the core business and the ventures and developing markets business based upon prevailing market rates. Administrative expenses are allocated to the respective enterprises on a fully distributed basis reflective of actual utilization. Net interest expense is fully distributed based upon proportionate debt levels reflecting the cash flow of the respective enterprise commencing on October 1, 1995. Prior to October 1, 1995, all debt was allocated to the core business

except for amounts allocated to support the acquisition of Nationwide and the investment in News Corp. The consolidated income tax provision and related tax payments are allocated to each enterprise based on its tax attributes.

FINANCIAL SUMMARY

For the year ended December 31, 1995, net income (loss) for the core business and the ventures and developing markets business was \$757 million and \$(209) million, respectively. EBITDA (earnings before interest, taxes, depreciation and amortization), excluding other income (expense) and equity in income (losses) of affiliated companies, was \$2,992 million for the core business and \$(46) million for the ventures and developing markets business for the year ended December 31, 1995. EBITDA, a measure of the company's ability to generate cash flows, should be considered in addition to, but not as a substitute for, or superior to, other measures of financial performance reported in accordance with generally accepted accounting principles. EBITDA, also known as operating cash flow, is often used by analysts when evaluating companies. Operating income (loss) for the core business and the ventures and developing markets business was \$1,226 million and \$(108) million, respectively.

The following table summarizes the financial highlights of these enterprises excluding the aforementioned special pretax charges.

SUPPLEMENTAL ENTERPRISE REPORTING DATA

Year ended December 31, 1995	Core Business	Ventures and Developing Markets
(In millions)		
Revenue	\$14,990	\$365
EBITDA	3,208	(46)
Operating income (loss)	1,923	(69)
Equity in income (losses) of affiliated companies	-	(92)
Net income (loss)	1,191	(125)
Capital expenditures	2,538	308

Amounts have been adjusted to exclude the impact of the special charges.

The following discussion focuses on significant financial and operational results of the company's ventures and developing markets business.

LOCAL SERVICES

MCImetro, the company's wholly-owned local services subsidiary, provides local fiber-optic capacity and competitive access services to the company's core business and other long distance carriers, large businesses and government users of telecommunications services. MCImetro intends to become a single-source provider of comprehensive local wireline telecommunications services, encompassing voice, data and

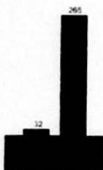
enhanced services in key markets as regulatory authorities permit. At December 31, 1995, MCI Metro had been granted authority to offer local exchange service in 14 states and had applications for such services pending in six other states.

In 1995, MCI Metro installed 10 Class 5 local switches and conducted testing of its initial set of local service offerings and support systems. In February 1996, MCI Metro offered its initial set of local exchange services in Baltimore, Boston and Detroit. The initial services encompass basic local telephone service, business lines, private branch exchange (PBX) trunks and access services, which provide businesses with high quality dedicated access connections to a long distance carrier or other service provider, as well as enhanced services.

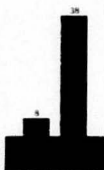
As of December 31, 1995, MCI Metro had constructed 38 operational local city networks in 25 cities, which represented an increase of 30 local city networks and 20 cities in 1995. At December 31, 1995, MCI Metro had 2,338 route miles and 3,700 right-of-way miles.

In 1995, MCI Metro reported revenue of \$108 million on sales of fiber-optic capacity and competitive access services, of which substantially all was derived from sales to the company's core business. EBITDA for the year ended December 31, 1995 was \$(15) million and net loss was \$(17) million. For the same period, MCI Metro made capital expenditures of \$265 million, which were primarily for the construction of its local city networks and Class 5 switch development.

**MCI Metro CAPITAL
EXPENDITURES**
in millions of dollars



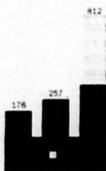
**MCI Metro LOCAL CITY
NETWORKS**



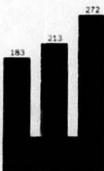
WIRELESS SERVICES

Wireless services revenue for the three months ended December 31, 1995, following the acquisition of Nationwide, was \$82 million, which was derived from cellular and paging services, as well as equipment sales. EBITDA for the same period was \$(5) million and net loss was \$(10) million. At December 1995, the company had approximately 347,000 cellular service subscribers and 465,000 paging service subscribers. The company provides wireless services through resale from facility-based wireless service providers.

**WIRELESS
CUSTOMER BASE***
in thousands



WIRELESS REVENUE*
in millions of dollars



*1993, 1994 and 1995 includes Nationwide's operational results prior to acquisition by the company and are shown for comparison purposes only.

INFORMATION TECHNOLOGY SERVICES

Information technology services revenue for the three months ended December 31, 1995, including SHL revenue from the November 1995 acquisition date, was \$126 million, which was comprised of \$62 million of equipment deployment and educational services, \$37 million for consulting and system integration and \$27 million for outsourcing services. EBITDA was \$1 million and net loss was \$(17) million for same period.

Backlog at December 31, 1995 was \$1.4 billion, the majority of which was from the 10 largest contracts. Reported backlog includes amounts committed under executed contracts or letters of intent. The company expects that approximately 30% of the backlog will be delivered in 1996. Since revenue depends on actual usage under service contracts, which may be subject to termination under certain circumstances, actual revenue for a particular contract may be higher or lower than the reported backlog for such contract.

INTERNATIONAL SERVICES

During 1995, the company invested \$66 million in Concert, a 24.9% owned international services venture with BT, which provides global enhanced telecommunications services for business customers. This represents the company's percentage share of required ongoing capital infusions to the venture. For the year ended December 31, 1995, the company's share of Concert losses reported in accordance with U.S. generally accepted accounting principles was \$(57) million, excluding Concert's special charges. Through December 31, 1995, the company has invested a total of \$145 million since Concert's launch in July 1994. The company intends to continue making contributions to Concert in order to maintain its proportionate interest.

For the twelve months ended December 31, 1995, Concert product sales amounted to approximately \$300 million in revenue to its distributors. Concert services are available through the company, BT and distributors in North America, Europe and Asia. Concert provides a complete portfolio of advanced global communication services to multinational businesses worldwide, which include virtual network, frame relay, managed bandwidth and packet services. Monthly revenues for these services, in the aggregate, grew more than 100% year-over-year. The Concert network has 6,000 nodes deployed in over 800 cities in more than 50 countries.

In November 1995, the company increased its investment in AVANTEL, a 44.3% owned business venture with Grupo Financiero Banamex-Accival, to approximately \$250 million, which represents half of the company's total anticipated investment, the remainder of which is expected to be made in 1996. In September 1995, AVANTEL received a license from the Mexican Secretariat of Communications and Transportation to construct and operate a nationwide fiber-optic telecommunications network in Mexico. AVANTEL plans to provide competitive domestic and international long distance telecommunications services in Mexico when the market opens for competition for business customers in August 1996. Certain value added, private line and data services may be offered prior to that time. A full range of competitive switched long distance services is expected to be offered by AVANTEL to residential and business customers beginning in January 1997. For the year ended December 31, 1995, AVANTEL's capital expenditures were \$86 million, and at December 31, 1995, AVANTEL had installed 1,340 route miles of its fiber-optic network in Mexico.

MULTIMEDIA SERVICES

The company invested \$1 billion in News Corp. in August 1995, and recorded \$18 million in dividend income during the period ended December 31, 1995. The company has the option for five years to invest an additional \$1 billion in News Corp. During the five year period, under certain circumstances, News Corp. can require the company to invest the additional \$1 billion or a part thereof. In January 1996, News Corp. exercised a portion of this right by requiring the company to invest \$350 million in the first half of 1996. If the \$2 billion investment had been made and the related warrants exercised at December 31, 1995, the company would have held a 13.8% voting interest (12.9% on a fully diluted basis) in News Corp.

On January 25, 1996, the company submitted the winning bid of \$682 million for the last remaining unallocated DBS spectrum slot that provides coverage of all fifty states and Puerto Rico, located at 110-degrees West Longitude. DBS is a point-to-multipoint broadcast service that uses high-powered Ku band satellites which are placed in geosynchronous orbit. The company has paid a portion of the license fee, with the remainder due upon receipt of the license. In addition, the company and News Corp. will form a joint venture to enter United States DBS video, audio and data market. The venture will offer information and entertainment services to businesses and consumers. The companies plan to invest approximately \$1.3 billion, on a 50-50 basis, in the venture, and expect to offer service by late 1997.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Cash from operating activities increased 26% to \$2,979 million in 1995 and 19% to \$2,355 million in 1994, which was consistent with the growth in the company's recurring income from operations for these periods. A significant increase in interest received, which resulted from a full year earnings of marketable securities, also contributed to the 1995 increase. Cash from operating activities has been the company's primary source of cash to finance capital expenditures. The 1995 business acquisitions and investments in ventures and developing markets were funded with proceeds from the BT investment and, to a lesser extent, from the issuance of commercial paper. In 1994, financing activities were a significant source of cash as a result of the BT transaction and debt issuances. EBITDA, excluding special charges, other income (expense) and equity in income (losses) of affiliated companies increased to \$3.2 billion in 1995 from \$2.7 billion in 1994 and \$2.4 billion in 1993. The increases were primarily a result of strong revenue growth, which was partially offset by higher operating expenses.

WORKING CAPITAL

The company had working capital (current assets less current liabilities) of \$(.3) billion and \$1.8 billion at December 31, 1995 and 1994, respectively. The decline in working capital was primarily attributable to the use of cash and cash equivalents and the sale of marketable securities to fund 1995 business acquisitions and investments in ventures and developing markets. Current assets decreased due to a decline in cash, cash equivalents and current marketable securities of \$1.4 billion, which was offset by increases of \$.7 billion in receivables and \$.4 billion in other. The increase in receivables and other current assets reflected strong year-end business volumes and acquired company balances. Current liabilities increased \$1.7 billion from December 31, 1994 due to increases of \$.5 billion in accrued telecommunications expense and accounts payable, \$.8 billion in other accrued liabilities and \$.4 billion in long-term debt due within one year. The increase in accrued telecommunications expense and accounts payable was attributable to the growth in the company's overall business and acquired company balances. Other accrued liabilities increased primarily due to the accrued reorganization costs,

increases in accrued payroll and related costs and acquired company balances. Long-term debt due within one year increased as a result of current maturity on the company's long-term debt portfolio.

CAPITAL EXPENDITURES

The company continued to invest in its communications system in order to increase network capacity, reliability and performance, and to enhance network intelligence. Capital expenditures for property and equipment were approximately \$2.9 billion in each of 1995 and 1994, and \$1.7 billion in 1993. The increases in capital expenditures for 1995 and 1994 were due primarily to increases in capacity, intelligent network switch software development, and the company's continued deployment of Synchronous Optical Network (SONET) technology. SONET technology enables high-speed multimedias applications and information services, as well as advanced network technologies for improved reliability and delivered advanced services. Also contributing to the 1995 increase MCI Metro capital expenditures of approximately \$.3 billion. In addition to the construction of MCI Metro's SONET-based local city networks, during 1995, the company accelerated deployment of long distance network SONET rings around major metropolitan areas. SONET rings provide millisecond restoration of traffic in the event of a fiber cut. In addition, the company activated the nation's first commercial network combining SONET and Asynchronous Transfer Mode (ATM) technologies called vBNS, very high-speed backbone network service during 1995. The combination of SONET and ATM allows the company to combine voice, data and video transmissions for unique high-speed applications over a single channel. Property and equipment retirements were \$.9 billion and \$1.1 billion in 1995 and 1994, respectively.

CASH FROM OPERATIONS

in millions of dollars



CAPITAL EXPENDITURES

in millions of dollars



FUNDING OF CAPITAL EXPENDITURES AND INVESTMENTS IN VENTURES AND DEVELOPING MARKETS

In 1995, the company funded its capital expenditures, acquisitions of SHL and Nationwide, as well as investments in News Corp., AVANTEL, Concert and other ventures, through cash from operations, marketable securities purchased with the proceeds from the investment of BT and debt issuances. In 1996, the company plans to spend approximately \$3 billion on capital expenditures, which includes MCI Metro capital expenditures, most of which will be funded with cash from operations. In addition, the company expects to invest approximately \$2 billion in existing ventures and developing markets, which includes the company's share of planned DBS venture costs, additional investment in News Corp., and a 1996 planned capital contribution in AVANTEL. The company believes that it will be able to meet its current and long-term liquidity and its capital requirements from cash from operations and existing debt facilities. The company has a \$2 billion bank credit facility, which expires in July 2000. The bank credit facility supports the company's commercial paper program and may also be used to fund short-term fluctuations in working capital and other general corporate requirements. In addition, the company has a \$1 billion shelf registration in effect, which covers debt securities with a range of maturities at either fixed or variable rates. At December 31, 1995, there was \$705 million outstanding under the commercial paper program and bank credit facility, and no securities were issued under the shelf registration.

The company's ratio of debt to total capitalization, defined as total debt to total debt plus equity, increased to 29% at December 31, 1995 from 26% at December 31, 1994, as a result of the issuance of commercial paper to fund certain of the company's business acquisitions and investments in ventures and developing markets. On September 30, 1994, the company issued 108.5 million shares of Class A common stock to BT for \$3.5 billion in cash, which caused the company's debt to total capitalization ratio to decrease to 26% at December 31, 1994 from 35% at December 31, 1993.

INCOME STATEMENTS

(Year ended December 31.)

(In millions, except per share amounts)

	1995	1994	
REVENUE	\$15,265	\$13,338	\$1
OPERATING EXPENSES			
Telecommunications	7,813	6,916	
Sales, operations and general	4,506	3,790	
Depreciation	1,308	1,176	
Asset write-down	520	-	
TOTAL OPERATING EXPENSES	14,147	11,882	1
INCOME FROM OPERATIONS	1,118	1,456	
Interest expense	(149)	(153)	
Interest income	147	50	
Other expense, net	(32)	(69)	
Equity in income (losses) of affiliated companies	(187)	(4)	
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	897	1,280	
Income tax provision	349	485	
Income before extraordinary item	548	795	
Extraordinary loss on early debt retirements, less applicable tax benefit of \$26 million	-	-	
NET INCOME	\$ 548	\$ 795	\$
Dividends on preferred stock	-	1	
EARNINGS APPLICABLE TO COMMON STOCKHOLDERS	\$ 548	\$ 794	\$
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARES			
Income before extraordinary item	\$.80	\$ 1.32	\$
Loss on early debt retirements	-	-	
Total	\$.80	\$ 1.32	\$
Weighted average number of common shares	687	604	

See accompanying Notes to Consolidated Financial Statements.

BALANCE SHEETS

December 31,
(In millions)

	1995	1994
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 471	\$ 1,429
Marketable securities	373	839
Receivables, net of allowance for uncollectibles of \$260 and \$226 million	2,954	2,266
Other current assets	749	354
TOTAL CURRENT ASSETS	4,547	4,888
PROPERTY AND EQUIPMENT		
Communications system in service	11,318	9,766
Furniture, fixtures and equipment	2,432	1,974
Other property	493	478
TOTAL PROPERTY AND EQUIPMENT	14,243	12,218
Accumulated depreciation	(5,238)	(4,349)
Construction in progress	1,304	1,190
TOTAL PROPERTY AND EQUIPMENT, NET	10,309	9,059
OTHER ASSETS		
Noncurrent marketable securities	-	824
Other assets and deferred charges, net	469	293
Investment in affiliates	495	199
Investment in News Corp.	1,000	-
Goodwill, net	2,481	1,103
TOTAL OTHER ASSETS	4,445	2,419
TOTAL ASSETS	\$19,301	\$16,366
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 706	\$ 609
Accrued telecommunications expense	1,936	1,505
Other accrued liabilities	1,728	893
Long-term debt due within one year	500	130
TOTAL CURRENT LIABILITIES	4,870	3,137
NONCURRENT LIABILITIES		
Long-term debt	3,444	2,997
Deferred taxes and other	1,385	1,228
TOTAL NONCURRENT LIABILITIES	4,829	4,225
STOCKHOLDERS' EQUITY		
Class A common stock, \$.10 par value, authorized 500 million shares, issued 136 million shares	14	14
Common stock, \$.10 par value, authorized 2 billion shares, issued 393 and 392 million shares	60	60
Additional paid in capital	6,405	6,227
Retained earnings	4,063	3,548
Treasury stock, at cost, 43 and 48 million shares	(940)	(845)
TOTAL STOCKHOLDERS' EQUITY	9,602	9,004
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$19,301	\$16,366

See accompanying Notes to Consolidated Financial Statements.

STATEMENTS OF CASH FLOWS

Year ended December 31,

(In millions)

	1995	1994	
OPERATING ACTIVITIES			
Receipts from customers	\$ 14,786	\$ 13,298	\$1
Payments to suppliers and employees	(11,453)	(10,472)	(1)
Taxes paid	(410)	(393)	
Interest paid	(113)	(100)	
Interest received	169	22	
CASH FROM OPERATING ACTIVITIES	2,979	2,355	
INVESTING ACTIVITIES			
Capital expenditures for property and equipment	(2,866)	(2,897)	(1)
Purchases of marketable securities	(4,630)	(4,096)	(1)
Proceeds from sales and maturities of marketable securities	5,930	2,424	
Acquisition of businesses, net of cash acquired	(1,243)	(110)	
Investment in News Corp.	(1,000)	-	
Investment in affiliates	(494)	(174)	
Other, net	11	(64)	
CASH USED FOR INVESTING ACTIVITIES	(4,292)	(4,917)	(1)
NET CASH FLOW BEFORE FINANCING ACTIVITIES	(1,313)	(2,562)	
FINANCING ACTIVITIES			
Issuance of Senior Notes and other debt	-	919	
Payment of Senior Notes and other debt	(305)	(246)	(1)
Commercial paper and bank credit facility activity, net	702	(239)	
Issuance of preferred stock	-	-	
Issuance of Class A common stock	-	3,510	
Issuance of common stock for employee plans	275	248	
Payment of dividends on common and preferred stock	(33)	(32)	
Purchase of treasury stock	(284)	(354)	
CASH FROM (USED FOR) FINANCING ACTIVITIES	355	3,826	
Net (decrease) increase in cash and cash equivalents	(958)	1,264	
Cash and cash equivalents at beginning of year	1,429	165	
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 471	\$ 1,429	\$
RECONCILIATION OF NET INCOME TO CASH FROM OPERATING ACTIVITIES:			
Net income	\$ 548	\$ 795	\$
Adjustments to net income:			
Depreciation and amortization	1,367	1,230	
Asset write-down	520	-	
Equity in (income) losses of affiliated companies	187	4	
Deferred income tax provision	144	269	
Net change in operating activity accounts other than cash and cash equivalents, net of effects of acquisition of businesses:			
Receivables	(442)	(135)	
Operating accounts payable	57	36	
Other operating activity accounts	398	156	
CASH FROM OPERATING ACTIVITIES	\$ 2,979	\$ 2,355	\$ 1

See accompanying Notes to Consolidated Financial Statements.

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES

STATEMENTS OF STOCKHOLDERS' EQUITY

	Preferred Stock	Class A Common Stock	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock, at Cost	Stock- holders' Equity
(In millions)							
BALANCE AT DECEMBER 31, 1992	—	—	\$ 30	\$1,479	\$2,231	\$(590)	\$3,150
Common stock issued for employee stock and benefit plans (23 million shares)	—	—	—	179	—	160	339
Tax benefit of common stock transactions related to employee benefit plans	—	—	—	36	—	—	36
Net income	—	—	—	—	582	—	582
Common and preferred dividends	—	—	—	—	(28)	—	(28)
Convertible preferred stock issued	\$ 1	—	—	829	—	—	830
Stock split effected in the form of a 100% stock dividend	—	—	30	(30)	—	—	—
Treasury stock purchased (8 million shares)	—	—	—	—	—	(196)	(196)
BALANCE AT DECEMBER 31, 1993	1	—	60	2,493	2,785	(626)	4,713
Class A common stock issued (136 million shares) and preferred stock converted	(1)	\$14	—	3,496	—	—	3,509
Common stock issued for employee stock and benefit plans (18 million shares)	—	—	—	180	—	124	304
Tax benefit of common stock transactions related to employee benefit plans	—	—	—	63	—	—	63
Change in unrealized loss on marketable securities	—	—	—	(5)	—	—	(5)
Net income	—	—	—	—	795	—	795
Common and preferred dividends	—	—	—	—	(32)	—	(32)
Treasury stock purchased (15 million shares)	—	—	—	—	—	(343)	(343)
BALANCE AT DECEMBER 31, 1994	—	14	60	6,227	3,548	(845)	9,004
Common stock issued for employee stock and benefit plans (18 million shares)	—	—	—	132	—	189	321
Tax benefit of common stock transactions related to employee benefit plans	—	—	—	25	—	—	25
Acquisition of business (.8 million shares)	—	—	—	16	—	—	16
Change in unrealized loss on marketable securities	—	—	—	5	—	—	5
Net income	—	—	—	—	548	—	548
Common stock dividends	—	—	—	—	(33)	—	(33)
Treasury stock purchased (13 million shares)	—	—	—	—	—	(284)	(284)
BALANCE AT DECEMBER 31, 1995	\$ —	\$14	\$ 60	\$6,405	\$4,363	\$(940)	\$9,602

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The company operates predominantly in a single industry segment, the telecommunications industry, which consists of a wide range of telecommunications services to residential and business customers, including domestic and international long distance voice and data services, wireless, teleconferencing and electronic messaging services.

USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used when accounting for revenue, allowance for uncollectible receivables, telecommunications expense, depreciation and amortization, reorganization accruals and asset write-downs, employee benefit plans and taxes.

PRINCIPLES OF CONSOLIDATION

The financial statements include the consolidated accounts of MCI Communications Corporation and its majority-owned subsidiaries (collectively, the company) with all significant intercompany transactions eliminated.

REVENUE

The company records as revenue the amount of communications services rendered, as measured primarily by the minutes of traffic processed, after deducting an estimate of the traffic which will be neither billed nor collected. Service discounts and incentives are accounted for as a reduction of revenue when granted or, where a service continuation contract exists, ratably over the contract period. Revenue from information technology services is recognized, depending on the service provided, on a percentage of completion basis or as services and products are rendered or delivered.

CASH AND CASH EQUIVALENTS

Cash equivalents consist primarily of certificates of deposit, securities of the U.S. Government and its agencies and corporate debt securities all having maturities of ninety days or less when purchased. The carrying amount reported in the accompanying balance sheets for cash equivalents approximates fair value due to the short-term maturity of these instruments.

At December 31, 1995 and 1994, checks not yet presented payment of \$248 million and \$192 million in excess of cash balances, respectively, were included in current liabilities. Company had sufficient funds available to cover these outstanding checks when they were presented for payment.

INVESTMENTS

Investments in marketable securities at December 31, 1995 and 1994 are classified as available for sale and are reported at value in accordance with Statement of Financial Accounting Standards No. 115 (SFAS 115), "Accounting for Certain Investments in Debt and Equity Securities." The fair values are based on quoted market prices, and any holding gains and losses are excluded from earnings and reported as a net amount in a statement of capital until realized. Realized gains and losses are recorded in the income statement and the cost assigned to securities sold is based on the specific identification method.

The company uses the equity method to account for investments in entities in which it has less than a majority interest but can exercise significant influence. These investments are classified on the accompanying balance sheets as investments in affiliates. Under the equity method, the investment, originally recorded at cost, is adjusted to recognize the company's share of the net earnings or losses of the affiliates as they occur, rather than as dividends or other distributions are received. The investment is limited to the extent of the company's investment in, advance to and guarantees for the investee. The company's share of earnings or losses of affiliates includes amortization of purchase adjustments. Other investments in which the owner has less than 20% and the company does not exercise significant influence are recorded at cost. The company's investment in News Corp. is recorded under the cost method.

PROPERTY AND EQUIPMENT

The investment in communications system is recorded at cost and includes material, interest, labor and overhead. The cost of construction and equipment are transferred to communications system in service as construction projects are completed and/or equipment is placed in service. Depreciation is recorded commencing with the first full month that the assets are placed in service and is provided using the straight-line method over their estimated useful lives. A majority of the company's communications system assets are grouped in like pools for depreciation purposes. For these asset groups, the cost of equipment retired in the ordinary course of business, less accumulated depreciation, is charged to accumulated depreciation. The company's

periodically reviews and adjusts the useful lives assigned to fixed assets to ensure that depreciation charges provide appropriate recovery of capital costs over the estimated physical and technological lives of the assets. The weighted average depreciable life of the assets comprising the communications system in service approximates 10 years. Furniture, fixtures and equipment are depreciated over a weighted average life of 6 years and includes computer and data center equipment along with other administrative assets. Other property includes land, buildings and leasehold improvements. Leasehold improvements are depreciated over the shorter of the life of the equipment or the life of the lease. Buildings are depreciated using lives of up to 35 years. Maintenance and repairs are charged to expense as incurred.

CAPITAL LEASES

Criteria of the company's lease obligations meet the criteria of a capital lease. These obligations are recorded at the present value of the future lease payments, including estimated bargain purchase options, discounted at the approximate interest rate implicit in each lease. Amounts are depreciated over the estimated useful lives of the equipment, which are generally longer than the terms of the leases. Leases not capitalized are primarily for land on which communications equipment is located and for administrative facilities, including office buildings, vehicles, certain data processing equipment and office equipment.

OTHER ASSETS AND DEFERRED CHARGES

Included in other assets and deferred charges are unamortized customer discounts and service incentives, right-of-way agreements with third parties, purchased subscriber base, deferred advertising costs and debt issuance costs. Deferred customer discounts and service incentives are amortized over the life of the specific contract to which they relate; also included are amounts recoverable under long-term customer service contracts, which are amortized over the contract period. Right-of-way costs are amortized as the assets are placed in service, over the lesser of the remaining term of the agreements or 25 years. Purchased subscriber base is amortized over the period benefited. In accordance with Statement of Position 93-7, "Reporting on Advertising Costs," certain advertising costs are deferred and amortized over the period benefited. Debt issuance costs are amortized over the life of the applicable debt.

GOODWILL

Goodwill represents the excess of the cost to acquire subsidiaries over the estimated fair market value of the net assets acquired. These amounts are amortized using the straight-line method over lives ranging from 10 to 40 years. Accumulated amortization at December 31, 1995 and 1994 was \$172 million and \$131 million, respectively. The company periodically evaluates the realizability of goodwill based upon projected undiscounted cash flows and operating income for each subsidiary having a material goodwill balance. The company believes that no impairment of goodwill existed at December 31, 1995.

FOREIGN EXCHANGE CONTRACTS AND INTEREST RATE SWAPS

The company enters into foreign exchange contracts and interest rate swap agreements to hedge its foreign currency risks and reduce its interest rate exposure (see Note 9). While the company does not engage in speculation, it is exposed to market rate risk in the event of nonperformance by the other parties to the agreements. The company manages credit risk by regularly monitoring and evaluating the counterparties. At December 31, 1995, the fair values of and potential risk of loss on these agreements were not material.

INCOME TAXES

The company files a consolidated federal income tax return on a March 31 fiscal year end. Deferred income taxes are provided on transactions which are reported in the financial statements in different periods than for income tax purposes. Income tax benefits of tax deductions related to common stock transactions with the company's employer benefit plans are recorded directly to additional paid in capital. General business credits are accounted for by the flow-through method.

EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE

Earnings per common and common equivalent share amounts are based on the weighted average number of shares of common stock outstanding during each year, adjusted for the effect of common stock equivalents arising from the assumed exercise of stock options, if dilutive, and the assumed conversion of the Series D convertible preferred stock in 1993. Fully diluted earnings per share are not materially different from primary earnings per share.

RECLASSIFICATION

Certain prior year information has been reclassified to conform to the current year presentation.

NOTE 2: 1995 SPECIAL CHARGES

During the third quarter of 1995, the company implemented a reorganization designed to increase efficiency, enhance marketplace effectiveness and improve business focus. The reorganization was largely in response to the rapid changes in business scope, technology and regulation affecting the telecommunications industry. The company consolidated its core business and centralized major administrative functions. The core business includes network operations, information systems and the former Business Markets and Consumer Markets groups. In connection with this reorganization and in response to other third quarter 1995 events, the company recorded special pretax charges of \$831 million, which were comprised of the following three major components.

The company recorded a \$520 million charge for an asset write-down, which reflected a decline in value of certain of the company's assets caused by changes in the business and technology strategy. The write-down primarily related to communications systems and administrative assets that have become redundant or were no longer aligned with strategic product offerings. The amount of the write-down was measured in conformity with the Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which the company adopted in the third quarter of 1995. Under this standard, charges were taken for the difference between the current carrying value and the estimated fair value of such assets at the expected disposal date. In the company's case, the fair value of most of the assets covered by this write-down was deemed to be salvage value. Disposal or abandonment of substantially all of these assets occurred by December 31, 1995.

The company also recorded a \$216 million charge in sales, operations and general expenses, which related primarily to reorganization costs. These costs included approximately \$50 million of severance associated with a workforce reduction, \$55 million of lease obligations and penalties associated with vacating facilities, and \$45 million of costs to modify and terminate contracts associated with changes in the business organization and strategic product offerings. The remainder of the charge included other costs associated with the company's business reorganization and certain legal costs. The company expects to reduce its workforce by approximately 2,800

employees, of whom approximately 2,400 had left the company at December 31, 1995. The remaining employees are expected to leave during the first half of 1996. The terminated employees, which included management and nonmanagement, were primarily sales, support and systems engineering personnel located at business administrative and operations sites. The company abandoned excess and duplicate facilities at various business and operations locations due to automation, workforce reductions and centralization.

As of December 31, 1995, the company had incurred \$55 million of the accrued reorganization costs with the majority of the remaining costs to be incurred during 1996. The remaining accrual is primarily comprised of costs associated with lease obligations, severance, modification and termination of contracts, other business reorganization and certain accrued legal costs. The reorganization accrual charged when applicable severance payments are disbursed when rental expense is incurred or lease termination costs are disbursed, or when contract settlements are completed or a payment is disbursed. Other costs are charged as incurred. Cash expenditures for these expenses were and will continue to be funded from cash from operations.

In addition, the company recorded a charge of \$95 million in equity in income (losses) of affiliated companies, which related to several investees where restructuring plans were implemented in the third quarter of 1995 or where product offerings were not expected to generate future cash flows sufficient to recover current carrying values.

NOTE 3: ACQUISITIONS

In September 1995, the company completed its acquisition of Nationwide Cellular Service, Inc. (Nationwide), a provider of cellular phone service, for approximately \$210 million. In November 1995, the company acquired all the outstanding shares of SHL Systemhouse Inc. (SHL), a Canadian corporation which provides information technology services to commercial and government enterprises, for U.S. \$13 per share or approximately U.S. \$1.13 billion. These acquisitions have been accounted for as purchase business combinations, and, accordingly, the net assets and results of their operations have been included in the company's financial statements since the acquisition dates. Acquisition costs have been allocated to the fair value of assets acquired, including intangible and liabilities assumed. The total assets acquired, including excess of cost over net assets acquired, for these and other

significant 1995 acquisitions were \$1,982 million. The associated obligations assumed, net of deferred taxes of \$184 million, were \$739 million. The excess of the purchase price over the fair value of net assets of approximately \$1.4 billion is being amortized over periods of 20 to 40 years.

NOTE 4. NEWS CORP. INVESTMENT

In August 1995, the company made an initial investment of \$1 billion in The News Corporation Limited (News Corp.). The investment was comprised of (i) an aggregate of 51 preferred shares of two U.S. subsidiaries of News Corp. (News Triangle Finance, Inc. and News T Investments, Inc.) with a stated value and liquidation preference of \$850 million and bearing a dividend rate of 3.147%, and (ii) a four year warrant (purchase price of \$150 million) to acquire up to approximately 155 million News Corp. ordinary shares for \$850 million. The exercise price of the warrant is payable, at the company's option, in cash or through the surrender of the preferred shares. In addition, the company has an option for five years to invest an additional \$1 billion under the same terms and for the same consideration as its initial investment. Under certain circumstances, News Corp. shall have the right to cause the company to make the additional \$1 billion investment or a portion thereof. In January 1996, News Corp. exercised a portion of this right by requiring the company to invest \$350 million in the first half of 1996.

Should the company exercise its warrants and acquire ordinary shares of News Corp., subject to certain exceptions, the company shall vote in the same proportion as all other votes. The company accounts for its investment in News Corp. under the cost method. In January 1996, the company received a dividend on its preferred stock investment in News Corp. of \$18 million.

On January 25, 1996, the company submitted the winning bid of \$682 million for the last remaining unallocated direct broadcast satellite (DBS) spectrum slot that provides coverage of all fifty states and Puerto Rico. The company and News Corp. will form a joint venture to enter the United States DBS video, audio and data market. The companies plan to invest approximately \$1.3 billion, on a 50-50 basis, in the venture, and expect to offer service by late 1997.

NOTE 5. BRITISH TELECOMMUNICATIONS PLC ALLIANCE

On September 30, 1994, British Telecommunications plc (BT) completed the purchase of 136 million shares of the company's Class A common stock for \$4.3 billion, which resulted in a 20% voting interest in the company. This purchase was achieved by the company's issuance of 108.5 million shares of Class A common stock to BT for \$3.5 billion in cash on September 30, 1994 and BT's conversion of 13,736 shares of Series D convertible preferred stock, purchased for \$830 million in June 1993, into 27.5 million shares of Class A common stock (see Note 10).

In conjunction with the above investment, the company purchased a 24.9% equity interest in Concert Communications Company (Concert), a business venture launched by BT in July 1994, which provides global enhanced telecommunications services for business customers. In addition, the company purchased from BT substantially all of the operations of BT North America Inc. in January 1994 for \$108 million and divested its interest in AAP Telecommunications Pty. Ltd. in October 1994.

The company and BT lease each others' access lines at prevailing market rates in the ordinary course of business to process traffic in the United States and the United Kingdom. The company also conducts business with Concert through the provision and receipt of communications services at prevailing market rates. During 1995, 1994 and 1993, the amounts associated with those transactions were immaterial to the company.

NOTE 6. INVESTMENT IN AFFILIATES

The company has various investments accounted for under the equity method, which are reported in the accompanying balance sheets as investments in affiliates. At December 31, 1995, the net investment in affiliated companies was \$495 million, which included net investment balances of \$237 million for AVANTEL S.A. de C.V. (AVANTEL), a 44.5% owned business venture with Grupo Financiero Banamex-Accival formed to provide competitive domestic and international long distance telecommunications services in Mexico, and \$58 million for Concert. During 1996, the company is required to make an additional capital contribution in AVANTEL of approximately \$250 million and expects to continue making capital contributions in Concert to maintain its proportionate equity interest.

NOTE 7. MARKETABLE SECURITIES

At December 31, 1995 and 1994, all of the company's marketable securities were classified as available-for-sale and stated at fair value. These securities were included in the accompanying balance sheets as either cash and cash equivalents, current marketable securities or noncurrent marketable securities. At December 31, 1995, the portfolio consisted of \$70 million of certificates of deposit, \$385 million of U.S. Government agency securities and \$129 million of corporate debt securities. At December 31, 1994, the portfolio consisted of \$1,059 million of corporate debt securities, \$875 million of U.S. Government agency securities, \$748 million of certificates of deposit, \$230 million of U.S. Treasury securities and \$76 million of asset-backed securities.

At December 31, 1995, amortized cost equaled fair market value. At December 31, 1994, an unrealized loss of \$9 million, net of estimated tax benefit, reduced additional paid in capital by \$5 million. Sales of available-for-sale marketable securities during 1995 and 1994 resulted in a net realized gain of \$13 million and a net realized loss of \$3 million, respectively, which were included in interest income.

The distribution of maturities of marketable securities is as follows:

December 31,	1995		1994	
	Cost	Fair Value	Cost	Fair Value
(In millions)				
Marketable securities				
Maturing within				
three months	\$211	\$211	\$1,316	\$1,316
Maturing within one year	373	373	842	839
Maturing between one and five years	-	-	830	824
Total marketable securities	\$584	\$584	\$2,988	\$2,979

NOTE 8. SUPPLEMENTARY BALANCE SHEET INFORMATION

December 31,	1995
(In millions)	
Other current assets:	
Deferred income taxes	\$ 317
Other receivables, net	173
Other	259
Total other current assets	\$ 749
Other accrued liabilities:	
Taxes, other than income	\$ 399
Payroll and employee benefits	270
Reorganization costs	161
Other	698
Total other accrued liabilities	\$1,728
Deferred taxes and other:	
Deferred income taxes	\$1,357
Other	28
Total deferred taxes and other	\$1,385

NOTE 9. DEBT AND LEASE OBLIGATIONS

Company debt consists of:

December 31,	1995
(In millions)	
Senior Notes, with maturities ranging from June 1996 to August 2004, at a weighted average interest rate of 6.9%, net of unamortized discount of \$1 million	\$1,436
Senior Debentures, with maturities ranging from January 2023 to March 2025, at a weighted average interest rate of 7.9%, net of unamortized discount of \$6 million	684
Capital lease obligations at a weighted average interest rate of 5.0% and 5.7%	589
Commercial paper and bank credit facility borrowings at a weighted average interest rate of 5.7%	705
Other debt at a weighted average interest rate of 7.6% and 5.4%	280
Total debt	3,944
Debt due within one year	(500)
Total long-term debt	\$3,444

Annual maturities of long-term debt for the five years after December 31, 1995 are as follows: \$500 million in 1996; \$166 million in 1997; \$122 million in 1998; \$386 million in 1999; and \$1,196 million in 2000.

Total interest costs were \$242 million in 1995, \$231 million in 1994 and \$239 million in 1993, of which \$93 million, \$78 million and \$61 million, respectively, were capitalized.

At December 31, 1995 and 1994, the estimated fair value of the company's long-term debt, excluding capital lease obligations, is listed below. This valuation represents either quot-

market values, where available, or the company's estimate based upon market prices of comparable debt instruments.

December 31,

	1995		1994	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
(In millions)				
Senior Notes	\$1,486	\$1,740	\$1,501	\$1,438
Senior Debentures	884	933	884	793
Commercial paper and bank credit facility borrowings	703	703	—	—
Other debt	280	280	146	146
Total debt, excluding capital leases	\$3,353	\$3,656	\$2,531	\$2,377

The change in the estimated fair value versus the carrying amount of debt from 1994 to 1995 reflects the change in market rates during 1995 from rates above the company's fixed rate debt to levels below the company's fixed rate debt.

SENIOR NOTES AND DEBENTURES

In March 1994, the company issued \$450 million principal amount of 7 3/4% Senior Debentures due March 23, 2025, \$300 million principal amount of 6 1/4% Senior Notes due March 23, 1999 and \$200 million principal amount of Senior Floating Rate Notes due March 16, 1999 (Senior Floating Rate Notes). In conjunction with the issuance of the Senior Floating Rate Notes, the company entered into an interest rate swap agreement for a notional principal amount of \$200 million which resulted in an effective fixed interest cost of 6.37%. A substantial portion of the net proceeds from these issuances was used to repay commercial paper borrowings while the remaining proceeds were used for general corporate purposes. During 1995 and 1994, the company repaid \$15 million and \$93 million of maturing Senior Notes, leaving \$2,370 million and \$2,385 million of debt securities outstanding at a weighted average annual interest rate of 7.25% at December 31, 1995 and 1994, respectively.

The company has in effect a \$1 billion shelf registration which will enable the company to issue debt securities with a range of maturities at either fixed or variable rates. The company has not issued any securities under this shelf registration at December 31, 1995.

COMMERCIAL PAPER AND

BANK CREDIT FACILITY BORROWINGS

On July 8, 1994, the company executed a five year \$2 billion bank credit facility agreement (Credit Facility) which replaced its previous \$1.25 billion bank credit facility. In 1995, the Credit Facility was extended for another year and now expires in July 2000. This Credit Facility supports the company's com-

mercial paper program and, in conjunction with this program, will be used to fund fluctuations in working capital and other general corporate requirements.

During 1995, the company issued commercial paper and borrowed under the Credit Facility an aggregate of \$771 million and repaid an aggregate of \$66 million. At December 31, 1995, there was \$705 million outstanding under the commercial paper program and Credit Facility. Borrowings under the commercial paper program and Credit Facility are classified as noncurrent if the remaining term of the Credit Facility agreement exceeds one year and the unused commitment thereunder equals or exceeds the amount of commercial paper then outstanding. During 1994, the company issued commercial paper and borrowed under the credit facilities an aggregate of \$6,637 million and repaid an aggregate of \$6,876 million of credit facility and commercial paper borrowings, leaving no amounts outstanding at December 31, 1994.

RETIREMENTS AND REDEMPTIONS

In 1993, the company redeemed all \$616 million, net of the unamortized discount, of its Zero-Coupon Subordinated Convertible Notes due December 11, 2004. The funds for this redemption came from the issuance of Senior Notes, Senior Debentures, commercial paper and credit facility borrowings. Also in 1993, the company redeemed all \$575 million principal amount of its 10% Subordinated Debentures due April 1, 2011. This redemption was funded from segregated cash generated by the company's operations and earnings, as well as a portion of the proceeds from the sale of preferred stock to BT (see Note 5). An extraordinary loss of \$45 million, net of current income tax benefit of \$26 million, was recorded for the 1993 redemptions.

LEASE OBLIGATIONS

Future minimum rental commitments for capital leases are as follows: \$140 million in 1996; \$126 million in 1997; \$64 million in 1998; \$55 million in 1999; \$51 million in 2000; and \$596 million thereafter. At December 31, 1995, aggregate future minimum capital lease payments were \$1,032 million including interest of \$443 million. The present value of future capital lease payments at December 31, 1995 was \$589 million. The gross and net book values of property and equipment financed by capital leases were \$584 million and \$274 million, respectively, at December 31, 1995 and \$604 million and \$271 million, respectively, at December 31, 1994. Future minimum rental commitments for noncancellable operating leases are as follows: \$217 million in 1996; \$172 million in 1997; \$136 million in 1998; \$109 million in 1999; \$82 million in 2000, and \$246 million thereafter. At December 31, 1995, aggregate future minimum payments for noncancellable operating leases were \$962 million.

Total rental expense for all operating leases was \$321 million, \$262 million and \$227 million for the years ended December 31, 1995, 1994 and 1993, respectively.

NOTE 10. STOCKHOLDERS' EQUITY

PREFERRED STOCK RIGHTS PLAN

On September 7, 1994, the company's board of directors adopted a stockholders' rights plan (Rights Plan), effective September 30, 1994, and declared a dividend, payable to the holders of record on October 11, 1994, of one preferred share purchase right (Right) for each outstanding share of common stock and Class A common stock (collectively, Common Shares) to the stockholders of record on that date. The Rights will also be attached to certain future issuances of Common Shares. Each Right entitles the registered holder to purchase from the company one one-hundredth of a share of the company's Series E Junior Participating Preferred Stock, par value \$10 per share, (Series E Preferred Stock) for an initial purchase price of \$100, subject to adjustment.

The Rights will become exercisable upon the occurrence of certain specified events, including a public announcement that a person or group of affiliated or associated persons (Acquiring Person) have acquired beneficial ownership of 10% or more of the outstanding Common Shares (more than 20.1% in the case of share acquisitions by BT). In the event that any person or group of affiliated or associated persons becomes an Acquiring Person, each holder of a Right (other than Rights beneficially owned by the Acquiring Person, which will become void), will thereafter have the right, subject to certain restrictions, to receive upon exercise in lieu of Series E Preferred Stock that number of shares of the company's common stock (or, at the option of the company, that number of one one-hundredth of a share of Series E Preferred Stock) determined as set forth in the Rights Plan.

For purposes of the Rights Plan, the company's board of directors has designated 10 million shares of Series E Preferred Stock which amount may be increased or decreased by the board of directors. All Rights expire on September 30, 2004, unless this date is extended or the Rights are earlier redeemed or exchanged by the company in accordance with the Rights Plan.

CLASS A COMMON STOCK

On September 30, 1994, BT completed the purchase of 13 million shares of the company's Class A common stock for \$4.3 billion, which resulted in a 20% voting interest in the company. This purchase was achieved by the company's issuance of 108.5 million shares of Class A common stock to BT for a cash payment of \$3.5 billion on September 30, 1994 and BT's conversion of all the outstanding 13,736 shares of Series D convertible preferred stock (Series D), purchased \$830 million in June 1993, into 27.5 million shares of Class A common stock. The company paid dividends of \$50 and \$8 per share on the Series D in 1994 and 1993, respectively, a \$0.5 and \$0.025 on the Class A common stock in 1995 and respectively.

At December 31, 1995, all of the Class A common stock held by BT. The Class A common stock is equivalent on a per share basis to the company's common stock, except with respect to certain voting rights. BT is entitled to proportionate representation on the company's board of directors, which currently equates to three seats. In addition to board representation, BT is entitled to preemptive rights with respect to the issuance of additional shares of common stock and to investor protection with respect to certain corporate actions of the company. All of Class A common stock automatically convert into common stock upon transfer and in certain other events.

COMMON STOCK

On May 24, 1993, the company's board of directors declared a two-for-one stock split in the form of a 100% stock dividend, which was issued on July 9, 1993 to stockholders of record as of the close of business on June 11, 1993. The following have been adjusted for the effect of the common stock dividend: 1993 and prior years' per share amounts, treasury stock transactions, the December 31, 1993 treasury stock balances and data for common stock options and employee stock purchase plan.

In 1995, 1994 and 1993, the company paid semiannual dividends of \$0.25 per share on its common stock.

NOTE 11. STOCK OPTION AND EMPLOYEE STOCK PURCHASE PLANS

EMPLOYEE AND DIRECTORS' STOCK OPTION PLANS

The current Employee Stock Option Plan (Plan) provides for the issuance of up to 108 million shares of common stock on an annual basis, pursuant to the Plan, the board of directors may increase the maximum number of shares available for

issuance under the Plan as of each January 1, by up to 5% of the number of shares of common stock outstanding at each such date. Options granted under the Plan are exercisable at such times and in such installments as determined by the compensation committee of the board of directors. Options granted under the Plan may not have an option price less than the fair market value of the common stock on the date of the grant.

Stock appreciation rights may be granted in combination with a stock option either at the time of the grant or anytime thereafter. No stock appreciation rights had been granted at December 31, 1995.

The compensation committee may also grant restricted stock awards and performance share awards, subject to such conditions, restrictions and requirements as the committee may determine in its sole discretion. During the year ended December 31, 1995, there were approximately 375,000 restricted shares granted. At December 31, 1995, there were approximately 1,222,000 restricted shares outstanding. No performance share awards had been issued at December 31, 1995.

The compensation committee may grant both incentive stock options and non-qualified options under the Plan. All options granted in the last three years have been non-qualified options. These non-qualified options expire after ten years and are exercisable to the extent of 33% of the option shares after one year, 66% after two years and 100% after three years. Incentive stock options expire between five and ten years after issuance and are exercisable to the extent of 33% of the option shares after one year, 66% after two years and 100% after three years.

The Plan permits the holder of an option to pay the purchase price for stock option exercises by surrendering shares of the company's common stock having a fair market value equal to, or greater than, the purchase price.

The company also has a stock option plan for non-employee directors (Directors' Plan) which provides for the issuance of up to 1,000,000 shares of common stock. Under the Directors' Plan, each non-employee director has been granted a five-year option to purchase up to 40,000 shares of common stock at the closing price of the common stock on the date of grant. The options are exercisable after the first anniversary of

the date of grant, in cumulative installments of 25% per year. Similar options will be granted automatically to all new board members who are not employees, including the nominee directors from BT. Upon the fifth anniversary of the date of grant of options, the unexercised portion of the grant shall be canceled and a new option for 40,000 shares shall be granted automatically.

Additional information with respect to stock options under these plans is:

	Number of Shares	Option Amount	
		Per Common Share	Total
(In millions, except per common share amounts)			
Shares under option, December 31, 1992	50.0	\$ 3.25-22.44	\$ 690.9
Options granted	18.6	20.36-28.75	394.5
Options exercised	(15.0)	3.25-22.44	(202.4)
Options terminated	(2.3)	9.18-28.75	(40.6)
Shares under option, December 31, 1993	51.3	3.44-28.75	842.4
Options granted	22.3	18.88-26.88	587.1
Options exercised	(18.1)	3.44-22.44	(110.2)
Options terminated	(13.2)	3.81-28.75	(74.9)
Shares under option, December 31, 1994	62.3	3.44-28.75	1,244.4
Options granted	25.2	18.18-26.30	481.2
Options exercised	(9.8)	3.44-28.88	(169.0)
Options terminated	(6.0)	3.38-28.25	(124.2)
Shares under option, December 31, 1995	71.7	\$ 3.44-28.75	\$ 1,443.4
Options exercisable, December 31, 1995	31.1	\$ 3.44-28.75	\$ 565.1

At December 31, 1995, the company had 5.7 million shares available for future grant.

EMPLOYEE STOCK PURCHASE PLAN

Under the current Employee Stock Purchase Plan (ESPP Plan), up to 45 million shares of common stock may be purchased by eligible employees of the company through payroll deductions of up to 15% of their eligible compensation. The purchase price is equal to the lesser of: (a) 85% of the fair market value of the stock on the date it is purchased or (b) 85% of the fair market value of the stock on certain specified valuation dates.

COMMON STOCK RESERVED FOR FUTURE ISSUANCE

At December 31, 1995, 89.8 million shares of the company's authorized common stock, including 71.7 million shares under option, were reserved for future issuance under the Employee and Directors' Stock Option Plans and the ESPP Plan. The company has opted to use treasury shares to fulfill the purchases made under these plans during the three-year period ended December 31, 1995.

NOTE 12. EMPLOYEE BENEFIT PLANS

PENSION PLANS

The company maintains a noncontributory defined benefit pension plan (MCI Plan) and a supplemental pension plan (Supplemental Plan). Western Union International, Inc. (WUI), a subsidiary of the company, also has a defined benefit pension plan (WUI Plan). Collectively, these plans cover substantially all employees who work 1,000 hours in a year.

The MCI Plan and the Supplemental Plan provide pension benefits that are based on the employee's compensation for each year of service prior to retirement. The WUI Plan provides pension benefits based on the employee's compensation for each year of service after 1990 and prior to retirement.

The company's policy is to fund the MCI Plan and the WUI Plan in accordance with the funding requirements of the Employee Retirement Income Security Act of 1974 and within the limits of allowable tax deductions. The assets of the plans are primarily invested in corporate equities, government securities and corporate debt securities.

Net periodic pension cost includes:

Year ended December 31,	1995	1994	1993
(In millions)			
Service cost during the period	\$ 40	\$ 37	\$ 18
Interest cost on projected benefit obligation	23	21	14
Actual return on plan assets	(70)	3	(21)
Net amortization and deferral	49	(20)	7
Net pension cost	<u>\$ 42</u>	<u>\$ 41</u>	<u>\$ 18</u>

Pension cost increased in 1994 primarily due to a plan amendment which increased MCI Plan benefits effective January 1, 1994.

The company's pension asset consists of:

December 31,	1995	1994
(In millions)		
Plan assets at fair value	\$ 199	\$ 254
Accumulated benefit obligation including vested benefits of \$305 in 1995 and \$173 in 1994	(134)	(194)
Plan assets in excess of accumulated benefit obligation	<u>\$ 65</u>	<u>\$ 60</u>
Plan assets at fair value less projected benefit obligation rendered to date	\$ 199	\$ 254
Projected benefit obligation for service rendered to date	(61)	(271)
Plan assets less than projected benefit obligation	(2)	(17)
Unrecognized net (gain) loss from past experience	42	(16)
Prior service cost not yet recognized in net periodic pension cost	75	64
Unrecognized net asset at January 1, 1996, being recognized over 16 years	61	(5)
Total prepaid pension asset	<u>\$ 275</u>	<u>\$ 266</u>

The discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation at December 31, 1995 were 7% and 5%, respectively, for the plans. At December 31, 1994 the discount rate used was 8.75% and the rate of increase in future compensation levels was 5% for both plans. The expected long-term rate of return on assets in 1995 and 1994 was 9% for the MCI Plan and 8.5% for the WUI Plan.

Annual service cost is determined using the Projected Credit actuarial method and prior service cost is amortized on a straight-line basis over the average remaining service period of employees.

Effective January 1, 1996, the company amended the MCI Plan. Retirement benefits will be calculated by first establishing an initial balance for each participant based on the present value of benefits earned through 1995. For service after 1995, participants will accrue benefits based on a specific percentage of annual salary and will earn interest credits based on the prior year's balance at a specific interest rate. To protect the interests of employees who are age 50 or older and have at least five years of service, benefits will continue to accrue under the current formula through the year 2001. The amendment resulted in a reduction to the 1995 projected benefit obligation for services rendered to date of approximately \$27 million.

EMPLOYEE STOCK OWNERSHIP PLAN AND 401(K) PLANS

The company has combined employee stock ownership (ESOP) and 401(k) retirement savings plans (RSP) covering substantially all of its employees. The savings plans allow employees to defer pretax income in accordance with the requirements of Internal Revenue Code Section 401(k). The company matches employee contributions up to a certain limit. Participants vest in the company's matching contributions at a rate of 20% per year of service and are immediately 100% vested in their elective deferrals.

During 1994, the company made a one time supplemental contribution of approximately 874,000 shares of common stock to the 401(k) sections of its plans in place of a contribution to the ESOP for the plan year ended December 31, 1994. At this time, future contributions to the ESOP have been suspended. Effective January 1, 1994, the company increased matching contribution on 401(k) contributions to encourage employee savings. The company contributed approximately 1,741,000 shares, 1,455,000 shares and 791,000 shares of common stock as the company's matching contribution to the RSP for the plan years ended December 31, 1995, 1994 and 1993, respectively.

WUI sponsors a 401(k) savings plan for its collectively bargained employees (WUI 401(k)). The savings plan is intended to meet requirements of Internal Revenue Code Section 401(k). WUI 401(k) participants vest in the company's matching contributions at a rate of 20% per year of service and are immediately 100% vested in their elective deferrals. The company contributed approximately 24,000 shares, 22,000 shares and 19,000 shares of its common stock to the WUI 401(k) for the plan years ended December 31, 1995, 1994 and 1993, respectively.

NOTE 13. INCOME TAXES

The components of the total income tax provision are:

Year ended December 31,	1995	1994	1993
(In millions)			
Current			
Federal	\$182	\$190	\$148
State and local	25	26	17
Current income tax provision	207	216	165
Deferred			
Federal	129	243	227
State and local	15	26	26
Deferred income tax provision	144	269	253
Total income tax provision	\$351	\$485	\$418

A reconciliation of the statutory federal income tax rate to the company's effective income tax rate is:

Year ended December 31,	1995	1994	1993
Statutory federal income tax rate	35%	35%	35%
State and local income taxes, net			
of federal income tax effect	3	3	3
Nondeductible amortization	2	1	1
Changes in federal tax laws	—	—	1
Other	(11)	(11)	—
Effective income tax rate	39%	38%	40%

In 1995, 1994 and 1993 the company recorded a tax benefit of \$25 million, \$63 million and \$36 million, respectively, to additional paid in capital for tax deductions related to common stock transactions with its employee benefit plans.

At December 31, 1995, for federal income tax purposes, the company has available \$207 million of Alternative Minimum Tax (AMT) credit carryforwards which have no expiration date. In addition, the company has available \$73 million of acquired U.S. net operating loss carryforwards expiring through 2009, all of which is subject to limitation due to change in ownership control, and \$14 million of acquired U.K. net operating loss carryforwards.

At December 31, 1995, 1994 and 1993, the company's net deferred income tax liability is comprised of the following:

	1995	1994	1993
(In millions)			
Deferred income tax asset	\$ 587	\$ 321	\$ 338
Deferred income tax liability	(1,627)	(1,398)	(1,149)
Net deferred income tax liability	\$ (1,040)	\$ (1,077)	\$ (811)
The components of these amounts are:			
Communications system	\$ (1,577)	\$ (1,312)	\$ (1,097)
Customer discounts	(87)	(61)	(43)
Allowance for uncollectibles	56	46	20
Reorganization and realignment expenses	61	4	56
Domestic equity investments	38	(6)	—
Alternative minimum and general			
business tax credits	104	102	116
Other, net	563	150	137
Net deferred income tax liability	\$ (1,040)	\$ (1,077)	\$ (811)

The company has not recorded any valuation allowances against its deferred income tax assets under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," during the years ended December 31, 1995, 1994 and 1993.

NOTE 14. CONTINGENCIES

The company, in the normal course of business, is a party to a number of lawsuits and regulatory and other proceedings. The company's management does not expect that the results in these lawsuits and proceedings will have a material adverse effect on the consolidated financial position or results of operations of the company.

In December 1992, the company petitioned the United States District Court for the District of Columbia for a declaratory ruling that certain patents being asserted against the company by AT&T Corp. (AT&T) were invalid and that AT&T should therefore, and for other reasons, be barred from enforcing them against the company. AT&T counterclaimed that the company was violating certain patents. In May 1993, AT&T and Unitel Communications Inc., a Canadian corporation in which AT&T has an equity interest, filed a companion suit in Canada, alleging that the company and the Stentor Group of Canadian telephone companies (with which the company has an alliance) are infringing in Canada four of the patents at issue in the U.S. litigation. Although discovery has not yet been completed, the company does not expect that either action will have a material adverse effect on the consolidated financial position or results of operations of the company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 15. SELECTED QUARTERLY INFORMATION (UNAUDITED)

Three months ended	Dec. 31, 1995	Sept. 30, 1995	June 30, 1995	Mar. 31
<i>(In millions, except per share amounts)</i>				
Revenue	\$4,136	\$3,862	\$3,706	
Operating expenses:				
Telecommunications	2,072	2,001	1,921	
Sales, operations and general	1,207	1,283	1,023	
Depreciation	336	328	325	
Asset write-down	-	520	-	
Income (loss) from operations	521	(270)	437	
Equity in income (losses) of affiliated companies	(24)	(116)	(18)	
Net income (loss)	284	(240)	260	
Earnings (loss) per common and common equivalent shares	.41	(.35)	.38	
Weighted average number of shares of common stock and common stock equivalents outstanding	694	688	684	
Three months ended	Dec. 31, 1994	Sept. 30, 1994	June 30, 1994	Mar. 31
<i>(In millions, except per share amounts)</i>				
Revenue	\$3,401	\$3,407	\$3,309	
Operating expenses:				
Telecommunications	1,764	1,765	1,715	
Sales, operations and general	999	952	933	
Depreciation	358	282	272	
Income from operations	280	408	389	
Equity in income (losses) of affiliated companies	(6)	1	1	
Net income	151	220	215	
Earnings applicable to common stockholders	151	220	214	
Earnings per common and common equivalent shares	.22	.38	.37	
Weighted average number of shares of common stock and common stock equivalents outstanding	685	579	575	

In September and November 1995, the company acquired all of the outstanding shares of common stock of Nationwide and SHL, respectively. These acquisitions were accounted for as purchases; accordingly, the net assets and results of operations of the acquired companies are included in the information above since their respective acquisition dates.

The three months ended September 30, 1995 includes \$831 million of special pretax charges. Charges include a \$5.0 million asset write-down, \$216 million primarily of reorganization costs and \$95 million recorded as equity in income (losses) of affiliated companies where restructuring plans have been implemented or where an adjustment for recoverability was made.

The three months ended December 31, 1994 includes \$148 million of special pretax items. Items include incremental expenses of \$70 million associated with the launch of network/MCI BUSINESS and an additional \$63 million depreciation charge.

On September 30, 1994, BT completed the purchase of 136 million shares of the company's Class A common stock for \$4.3 billion, which resulted in voting interest in the company. This was achieved by the issuance of 108.5 million shares of Class A common stock to BT for \$3.5 billion on September 3 and BT's conversion of 13,736 shares of Series D convertible preferred stock, purchased for \$830 million in June 1993, into 27.5 million shares of Class A common stock. This investment is reflected in stockholders' equity.

Since there are changes in the weighted average number of shares outstanding each quarter, the sum of earnings per share by quarter may not equal the earnings per share for the applicable year.

REPORTS OF MANAGEMENT AND INDEPENDENT ACCOUNTANTS

REPORT OF MANAGEMENT

The management of the company is responsible for the financial information and representations contained in the financial statements, notes and all other sections of the annual report. The financial statements have been prepared in conformity with generally accepted accounting principles appropriate under the circumstances to reflect, in all material respects, the substance of events and transactions which have occurred. In preparing the financial statements, it is necessary that management make informed estimates and judgments based on currently available information in order to record the results of certain events and transactions.

The company maintains a system of internal controls designed to enable management to meet its responsibility for reporting reliable financial information. The system is designed to provide reasonable assurance that assets are safeguarded and transactions are recorded and executed with management's authorization. Internal control systems are subject to inherent limitations due to the necessity to balance costs incurred with benefits provided. The company believes that the existing system of internal controls provides reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected in a timely manner.

The board of directors pursues its oversight role for the financial statements through its audit committee, which is comprised solely of directors who are not officers or employees of the company. They are responsible for engaging, subject to stockholder approval, the independent accountants. The audit committee meets periodically with management and the independent accountants to review their activities in connection with financial reporting matters. The independent accountants have full and free access to meet with the audit committee, without management representatives present, to discuss the results of their examination and the adequacy and quality of internal controls and financial reporting.

The report of our independent accountants, Price Waterhouse LLP, appears herewith. Their audit of the financial statements includes a review of the company's system of internal controls and testing of records as required by generally accepted auditing standards.



David M. Case
Vice President and Controller
January 29, 1996

REPORT OF INDEPENDENT ACCOUNTANTS
PRICE WATERHOUSE LLP

To the Board of Directors and Stockholders of
MCI Communications Corporation

In our opinion, the consolidated balance sheets and the related consolidated income statements, statements of cash flows and stockholders' equity appearing on pages 14 through 28 present fairly, in all material respects, the financial position of MCI Communications Corporation and its subsidiaries at December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles. 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. We conducted our audits of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.



Price Waterhouse LLP
January 29, 1996
Washington, D.C.

BOARD OF DIRECTORS

BERT C. ROBERTS, JR.
Chairman and Chief Executive Officer

CLIFFORD L. ALEXANDER, JR.
President
Alexander and Associates, Inc.
Washington, DC

JUDITH AREEN
Executive Vice President
Law Center Affairs
and Dean of the Law Center
Georgetown University
Washington, DC

MICHAEL H. BADER
Partner
Haley, Bader & Potts
Arlington, Virginia

SIR PETER L. BONFIELD
Chief Executive
British Telecommunications plc

RICHARD M. JONES
Former Chairman and
Chief Executive Officer
Guaranty Federal Savings Bank
Chicago, Illinois

GORDON S. MACKLIN
Corporate Financial Advisor
Washington, DC

ALFRED T. MOCKETT
Managing Director
Global Communications Division
British Telecommunications plc

K. RUPERT MURDOCH
Chairman and Chief Executive
The News Corporation Limited

DR. ALAN W. RUDGE
Deputy Chief Executive
British Telecommunications plc

RICHARD B. SAYFORD
President and Chief Executive Officer
Strategic Enterprises, Inc.
Edwards, Colorado

GERALD H. TAYLOR
President and Chief Operating Officer

JUDITH WHITTAKER
Vice President - Legal
Hailmark Cards
Kansas City, Missouri

JOHN R. WORTHINGTON
Consultant
Washington, DC

OFFICERS

BERT C. ROBERTS, JR.
Chairman and
Chief Executive Officer

GERALD H. TAYLOR
President and
Chief Operating Officer

TIMOTHY F. PRICE
President
MCI Telecommunications
Corporation

DOUGLAS L. MAINE
Executive Vice President and
Chief Financial Officer

MICHAEL J. ROWNY
Executive Vice President
Ventures and Developing Markets

MICHAEL H. SALSBUURY
Executive Vice President and
General Counsel

SETH D. BLUMENFELD
President
MCI International, Inc.

FRED M. BRIGGS
Chief Engineering Officer

ANGELA O. DUNLAP
Executive Vice President
Corporate Communications

JOHN W. GERDELMAN
President
network/MCI Services

WAYNE E. HUYNH
President
Mass Markets Sales and Service

SCOTT B. ROSS
President and
Chief Operating Officer
SHL Systemhouse Inc.

LANCE B. BOXER
Senior Vice President and
Chief Information Officer

BRIAN A. BREWER
Senior Vice President
Business Marketing

VINTON G. CERF
Senior Vice President
Data Architecture

DANIEL E. CRAWFORD
Chief Operating Officer
AVANTELL S.A.

NATHANIEL A. DAVIS
Senior Vice President
Network Operations and
President, MCI Metro

JERRY A. DEMARTINO
Senior Vice President
Global Strategy and Development

DANIEL M. DENNIS
President
Strategic Accounts

JOHN G. DONOGHUE
Senior Vice President
Consumer Marketing

NANCY B. GOFUS
Senior Vice President
Concert

LAURENCE E. HARRIS
Senior Vice President
Public Policy

ROBERT B. HARTNETT
Regional President
Business Sales and Service

GERALD J. KOVACH
Senior Vice President
Government Relations

OMAR T. LEEMAN
Regional President
Business Sales and Service

JAMES L. LEWIS
Senior Vice President
Regulatory Affairs

DONALD T. LYNCH
Senior Vice President
Business Financial Operations

SHERRY R. MOREHOUSE
Senior Vice President
Network Planning & Engineering

SUSAN MAYER
Senior Vice President
Corporate Development

JAMES M. SCHNEIDER
Senior Vice President
Corporate Finance

WILLIAM D. WOOTEN
Senior Vice President and
Chief Human Resources Officer

C. BOLTON-SMITH, JR.
Secretary

DAVID M. CASE
Controller

JONELLE ST. JOHN
Treasurer

CORPORATE INFORMATION

ANNUAL STOCKHOLDERS MEETING

April 25, 1996 - 12 noon
 Ramada Hotel Classic
 Albuquerque, NM

COMMON STOCK TRANSFER AGENT AND REGISTRAR

Chemical Mellon Shareholder Services, LLC
 85 Challenger Road
 Ridgefield Park, NJ 07606
 1-800-934-6242
 212-613-7427
 Chemical Mellon's TDD number for the speech and
 hearing-impaired is 1-800-231-5469

COMMON STOCK TRADED ON THE NASDAQ STOCK MARKET
 NASDAQ Symbol: MCIC.

TRUSTEE — SENIOR DEBT

Citibank, N.A.
 Corporate Trust & Agency Company
 120 Wall Street, 13th Floor
 New York, NY 10043
 1-800-422-2066
 201-202-8644

TRUSTEE — SUBORDINATED DEBT

Bankers Trust Company
 Corporate Trust & Agency Company
 4 Albany Street, 8th Floor
 New York, NY 10015
 212-250-2500

INDEPENDENT ACCOUNTANTS

Price Waterhouse LLP
 1301 K Street, N.W.
 Washington, DC 20005

DIVIDEND RECORD

In 1994 and 1995 MCI paid a dividend on its Common
 Stock of \$0.25 per share in both June and December.

STOCK PRICE RANGE

Quarter Ended	Sale Price		
	High	Low	Close
December 31, 1995	\$27½	\$23¾	\$26½
September 30, 1995	27¾	20¾	26½
June 30, 1995	23¾	19¼	22
March 31, 1995	21¼	17¾	20¾
December 31, 1994	\$25½	\$17¼	\$18¾
September 30, 1994	25¾	21½	25¾
June 30, 1994	24½	21¾	22½
March 31, 1994	29	22¾	23¾

Record Holders of Common Stock at December 31, 1995: 51,239.

COMMON STOCK TRANSFER AGENT

The following inquiries should be made directly to stock-
 holder services at Chemical Mellon by calling 1-800-934-6242.

- Change of address
- Lost stock certificates
- Dividend payments
- Transfer of stock to another person
- Other administrative concerns

CORPORATE INFORMATION/INVESTOR SERVICES

The following information is available without charge to
 stockholders and interested parties:

- Annual Report
- Form 10K, annual report to the Securities and
 Exchange Commission
- Form 10Q, quarterly report to the Securities
 and Exchange Commission
- MCI Investor Quarterly

To request any of these publications or for additional informa-
 tion on the company, its finances, operations and services,
 contact:

Raymond C. Allieri
 Vice President, Investor Relations
 MCI Communications Corporation
 1801 Pennsylvania Avenue, N.W.
 Washington, DC 20006
 Telephone: 1-800-765-2115
 202-887-2028
 Fax: 202-487-2967
 MCI Mail: MCI Investor Relations
 Internet address: 640-5834@mcimail.com

NEXT

DOCUMENT (S)

DISREGARD

BACKGROUND

MCI COMMUNICATIONS
CORPORATION
1801 Pennsylvania Avenue, N.W.
Washington, D.C. 20006
202 872-1600



-----BEGIN PRIVACY-ENHANCED MESSAGE-----

Proc-Type: 2001,MIC-CLEAR

Originator-Name: webmaster@www.sec.gov

Originator-Key-Asymmetric:

MFgwCgYEYVQgBAQICaf8DSgAwRwJAW2sNKK9AVtBzYzmr6aGj1WyK3XmZv3dTI1Nen

TWSM7vzrLADbmYQaionwg5sDW3P6oaM5D3tdezXm7z1T+B+twIDAQAB

MIC-Info: RSA-MD5, RSA,

KGZckB5v4bmDsBwo3ITle7VXZPxxAtXFa6bUWTJeYnOp+z7rGouLhfSqKhisAJmI

Kzcw/yy3w/8dLeRjkb5JA==

<SEC-DOCUMENT>0000064079-96-000031.txt : 19961118

<SEC-HEADER>0000064079-96-000031.hdr.sgml : 19961118

ACCESSION NUMBER: 0000064079-96-000031

CONFORMED SUBMISSION TYPE: 10-Q

PUBLIC DOCUMENT COUNT: 6

CONFORMED PERIOD OF REPORT: 19960930

FILED AS OF DATE: 19961114

SROS: NASD

FILER:

COMPANY DATA:

COMPANY CONFORMED NAME:

MCI COMMUNICATIONS CORP

CENTRAL INDEX KEY:

0000064079

STANDARD INDUSTRIAL CLASSIFICATION:

TELEPHONE COMMUNICATIONS (NO

IRS NUMBER:

520886267

STATE OF INCORPORATION:

DE

FISCAL YEAR END:

1231

FILING VALUES:

FORM TYPE: 10-Q

SEC ACT: 1934 Act

SEC FILE NUMBER: 000-06547

FILM NUMBER: 96665964

BUSINESS ADDRESS:

STREET 1: 1801 PENNSYLVANIA AVE N W

CITY: WASHINGTON

STATE: DC

ZIP: 20006

BUSINESS PHONE: 2028721600

MAIL ADDRESS:

STREET 1: 1801 PENNSYLVANIA AVENUE NW

CITY: WASHINGTON

STATE: DC

ZIP: 20006

</SEC-HEADER>

<DOCUMENT>

<TYPE>10-Q

<SEQUENCE>1

<TEXT>

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)



☒ Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 1996

or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 0-6547

MCI COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	52-0886267
State or other jurisdiction of incorporation or organization	(IRS Employer Identification No.)

1801 Pennsylvania Avenue, N.W., Washington, D.C. 20006
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (202) 872-1600

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

Yes X No

As of September 30, 1996, the registrant had outstanding 135,998,932 shares of Class A common stock and 548,903,285 shares of common stock.

<PAGE>

PAGE 2

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES

FORM 10-Q

For The Quarter Ended September 30, 1996

INDEX

Page No.

PART I: FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

Income Statements for the three and nine months ended

September 30, 1996 and 1995	3
Balance Sheets as of September 30, 1996 and December 31, 1995	4-5
Statements of Cash Flows for the nine months ended September 30, 1996 and 1995	6
Statement of Stockholders' Equity for the nine months ended September 30, 1996	7
Notes to Interim Condensed Consolidated Financial Statements	8-10
ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	11-23

PART II: OTHER INFORMATION

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K	24
SIGNATURE	25
EXHIBIT INDEX	26

<PAGE>

PAGE 3

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTSMCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES
INCOME STATEMENTS
(In millions, except per share amounts)
(unaudited)

	Three Months Ended September 30.		Nine Months Ended September 30.	
	1996	1995	1996	1995
REVENUE	\$4,685	\$3,862	\$13,741	\$11,128
OPERATING EXPENSES				
Cost of services	2,370	2,001	7,056	5,741
Sales, operations and general	1,304	1,281	3,716	3,278
Depreciation	430	326	1,223	973
Asset write-down	-	520	-	520
TOTAL OPERATING EXPENSES	4,104	4,132	11,997	10,532
INCOME (LOSS) FROM OPERATIONS	581	(270)	1,744	596
Interest expense	(51)	(35)	(153)	(109)
Interest income	7	36	27	131
Equity in income (losses) of affiliated companies	(28)	(116)	(126)	(163)
Other income (expense), net	(1)	(2)	(1)	(23)

INCOME (LOSS) BEFORE INCOME TAXES AND TRUST DISTRIBUTIONS	508	(387)	1,489	432
Income tax (provision) benefit	(189)	147	(570)	(168)
Distributions on Trust preferred securities	15	-	20	-
NET INCOME (LOSS)	\$ 304	\$ (240)	\$ 899	\$ 264
EARNINGS (LOSS) PER COMMON AND COMMON EQUIVALENT SHARES	\$.44	\$ (.35)	\$ 1.29	\$.38
Weighted average number of shares of common stock and common stock equivalents outstanding	691	688	695	686
Dividends declared per common share	\$ -	\$ -	\$.025	\$.025

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

<PAGE>

PAGE 4

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES
BALANCE SHEETS
(unaudited)

	September 30, 1996	December 31, 1995
ASSETS	(In millions)	
CURRENT ASSETS		
Cash and cash equivalents	\$ 250	\$ 471
Marketable securities	130	373
Receivables, net of allowance for uncollectibles of \$265 and \$260 million	3,331	2,912
Other assets	944	749
TOTAL CURRENT ASSETS	4,655	4,505
PROPERTY AND EQUIPMENT, net	11,658	10,309
OTHER ASSETS		
Noncurrent marketable securities	67	-
Other assets and deferred charges, net	948	511
Investment in affiliates	399	495
Investment in News Corp.	1,350	1,000
Goodwill, net	2,432	2,481
TOTAL OTHER ASSETS	5,196	4,487
TOTAL ASSETS	\$21,509	\$19,301

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

<PAGE>

PAGE 5

MCJ COMMUNICATIONS CORPORATION AND SUBSIDIARIES
BALANCE SHEETS
(unaudited)

	September 30, 1996	December 31, 1995
	-----	-----
	(In millions)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 895	\$ 706
Accrued telecommunications expense	1,977	1,936
Other accrued liabilities	1,768	1,728
Long-term debt due within one year	439	500
	-----	-----
TOTAL CURRENT LIABILITIES	5,079	4,870
	-----	-----
NONCURRENT LIABILITIES		
Long-term debt	3,722	3,444
Deferred taxes and other	1,629	1,385
	-----	-----
TOTAL NONCURRENT LIABILITIES	5,351	4,829
	-----	-----
COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURES OF THE COMPANY	750	-
	-----	-----
STOCKHOLDERS' EQUITY		
Class A common stock, \$10 par value, authorized 500 million shares, issued 136 million shares	14	14
Common stock, \$10 par value, authorized 2 million shares, issued 593 million shares	60	60
Additional paid in capital	6,466	6,405
Retained earnings	4,945	4,063
Treasury stock, at cost, 44 and 43 million shares	(1,056)	(940)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	10,329	9,602
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$21,509	\$19,301
	=====	=====

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

-PAGE-

PAGE 6

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
(unaudited)

	Nine Months Ended September 30,	
	1996	1995
	(In millions)	
OPERATING ACTIVITIES	\$13,267	\$10,705
Receipts from customers	(10,457)	(8,476)
Payments to suppliers and employees	(620)	(261)
Taxes paid	(163)	(120)
Interest paid	28	151
Interest received	-----	-----
CASH FROM OPERATING ACTIVITIES	2,055	1,999
INVESTING ACTIVITIES	(2,423)	(2,261)
Capital expenditures for property and equipment	-----	-----
Purchases, maturities and sales of	176	1,371
Marketable securities, net	(350)	(1,000)
Investment in News Corp.	(268)	-
Investment in DBS	(32)	(145)
Investment in affiliates	(24)	(194)
Acquisition of businesses, net of cash acquired	(8)	11
Other, net	-----	-----
CASH USED FOR INVESTING ACTIVITIES	(2,929)	(2,218)
NET CASH FLOW BEFORE FINANCING ACTIVITIES	(874)	(219)
FINANCING ACTIVITIES	492	(105)
Issuance (payment) of debentures and other debt, net	-----	-----
Commercial paper and bank credit facility	(368)	-
activity, net	726	-
Issuance of Trust preferred securities, net	342	202
Issuance of common stock for employee plans	(522)	(285)
Purchase of treasury stock	-----	-----
Payment of dividends on common stock and	(17)	(16)
Class A common stock	-----	-----
CASH FROM (USED FOR) FINANCING ACTIVITIES	653	(204)
Net decrease in cash and cash equivalents	(221)	(423)
Cash and cash equivalents - beginning balance	471	1,429
Cash and cash equivalents - ending balance	\$ 250	\$1,006
Reconciliation of net income to cash from	*****	*****
operating activities:	\$ 895	\$264
Net income	-----	-----
Adjustments to net income:	1,267	1,012
Depreciation and amortization	-	520
Asset write-down	127	162
Equity in (income) losses of affiliated companies	192	51
Deferred income tax provision	-----	-----

Net change in operating activity accounts
other than cash and cash equivalents:

Receivables	(419)	(456)
Operating accounts payable	122	173
Other operating activity accounts	(133)	273

Cash from operating activities	\$2,055	\$1,999
--------------------------------	---------	---------

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

<PAGE>

PAGE 7

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES
STATEMENT OF STOCKHOLDERS' EQUITY
(unaudited)

	Class A Common Stock	Common Stock	Addit'l Paid in Capital	Retained Earnings	Treas. Stock, at Cost	Total Stock- holders' Equity
	-----	-----	-----	-----	-----	-----
	(In millions)					
Balance at December 31, 1995	5 14	5 60	\$6,405	\$4,063	\$ 940)	\$9,602
Common stock issued for employee stock and benefit plans (19 million shares)	-	-	(39)	-	415	376
Net income	-	-	-	899	-	899
Common stock dividends	-	-	-	(17)	-	(17)
Treasury stock purchased (20 million shares)	-	-	-	-	531)	(531)
Balance at September 30, 1996	\$14	\$60	\$6,366	\$4,945	\$ (1,056)	\$10,329

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

<PAGE>

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1. GENERAL

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (SEC). The interim condensed consolidated financial statements include the consolidated accounts of MCI Communications Corporation and its majority-owned subsidiaries (collectively, the company) with all significant intercompany transactions eliminated. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods presented have been made. Certain prior year information has been reclassified to conform to the current quarter presentation. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such SEC rules and regulations. These financial statements should be read in conjunction with the company's Annual Report on Form 10-K for the year ended December 31, 1995.

NOTE 2. NEWS CORP. ALLIANCE

In May 1996, the company invested an additional \$350 million in The News Corporation Limited (News Corp.). Under certain circumstances, News Corp. has the right until August 2000 to require the company to make an additional investment of up to an aggregate of \$650 million on the same terms and for the same consideration as the company's initial investment. The company accounts for its investment under the cost method.

In January 1996, the company won the last national direct broadcast satellite (DBS) license with a bid of \$682 million. The company has paid \$136 million of the license fee as of September 30, 1996. The company expects the Federal Communications Commission (FCC) to issue an Order granting the post auction application and awarding the license conditioned upon payment of the balance of the bid. The company expects the issuance of the Order and the payment of the balance to occur prior to the end of this year. The company and News Corp. have agreed to form a joint venture, in which the company anticipates owning less than a 20% interest, to provide digital satellite services to homes and businesses beginning in late 1997.

NOTE 3. LONG-TERM DEBT

During the nine months ended September 30, 1996, the company issued two series of debt under its \$1 billion shelf registration. On June 24, 1996, the company issued \$500 million aggregate principal amount of 7 1/8% Debentures due June 15, 2027 and on August 9, 1996, the company issued \$300 million aggregate

<PAGE>

PAGE 9

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

principal amount of 6.95% Senior Notes due August 15, 2006. As of September 30, 1996, \$200 million was available for issuance under the shelf registrations. The proceeds of the issuances were used for general corporate purposes, including

the repayment of short-term borrowings under the company's commercial paper program. On September 30, 1996, the company filed a new \$1 billion shelf registration that, together with the \$200 million available under the prior \$1 billion shelf registration, will allow the company to issue up to \$1.2 billion aggregate principal amount of debt securities with a range of maturities at either fixed or variable rates.

On September 26, 1996, the company entered into a revolving credit loan agreement with several parties, under which the company may borrow up to \$2 billion. This agreement expires in September 2001 and replaces the \$2 billion revolving credit loan agreement of July 1994. There are no amounts outstanding under this credit facility at September 30, 1996.

NOTE 4. COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURES OF THE COMPANY

On May 29, 1996, MCI Capital I, a wholly-owned Delaware statutory business trust (Trust), issued \$750 million of 8% Cumulative Quarterly Income Preferred Securities, Series A (preferred securities) due June 30, 2026. The Trust exists for the sole purpose of issuing the preferred securities and investing the proceeds in the company's 8% Junior Subordinated Deferrable Interest Debentures, Series A (Subordinated Debt Securities) due June 30, 2026, the only assets of the Trust. The proceeds from the issuance of the Subordinated Debt Securities were used for general corporate purposes.

Holders of the preferred securities are entitled to receive preferential cumulative cash distributions from the Trust, on a quarterly basis, provided the company has not elected to defer the payment of interest due on the Subordinated Debt Securities to the Trust. The company may elect this deferral from time to time, provided that the period of each such deferral does not exceed five years. The preferred securities are subject to mandatory redemption, in whole or in part, upon repayment of the Subordinated Debt Securities at maturity or earlier in an amount equal to the amount of Subordinated Debt Securities maturing or being repaid. In addition, in the event the company terminates the Trust, the Subordinated Debt Securities will be distributed to the then holders of the preferred securities of the Trust.

<PAGE>

PAGE 10

**MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)**

In connection with the issuance of the preferred securities, the company executed a Trust Agreement, an Indenture, a Guarantee Agreement and an Expense Agreement. These agreements, taken together with the issuance of the Subordinated Debt Securities, constitute a full, irrevocable and unconditional guarantee by the company of all of the Trust's obligations under the preferred securities (the Guarantee). The Guarantee Agreement covers payment of the preferred securities' quarterly distributions and payments on maturity or redemption of the preferred securities, but only in each case to the extent of funds held by the Trust. If the company does not make interest payments on the Subordinated Debt Securities held by the Trust, the Trust will have insufficient funds to pay such distributions. The obligations of the company under the Guarantee and the Subordinated Debt Securities are subordinate and junior in right of payment to all senior debt of the company.

NOTE 5. 1995 SPECIAL CHARGE FOR REORGANIZATION

Other accrued liabilities at September 30, 1996 include approximately \$115 million related to the reorganization accrual recorded in the third quarter of 1995. The remaining accrual primarily consists of lease obligations for excess facilities, contract termination costs and accrued legal and other business costs.

NOTE 6. SUBSEQUENT EVENT

On November 3, 1996, the company entered into an Agreement and Plan of Merger with British Telecommunications, plc (BT), a public limited company incorporated under the laws of England and Wales, and Tadworth Corporation (Tadworth), a Delaware corporation and a wholly-owned subsidiary of BT, pursuant to which the company will merge with and into Tadworth (the Merger). As a result of the Merger, each outstanding share of the company's common stock, par value \$.10 per share (other than shares held in the treasury of the company or owned by BT or Tadworth or any persons who shall have properly exercised their rights to appraisal under Delaware law), will be converted into the right to receive (i).94 American Depositary Share (ADS) of BT, each representing ten ordinary shares of 25 pence each of BT (with cash being paid in lieu of fractional ADSs), and (ii) \$.60 in cash. The combined company will be named Concert plc and will operate under the BT and MCI brand names in the United Kingdom and the United States, respectively.

Consummation of the Merger is subject to certain conditions, including the approval of the Merger and the transactions contemplated thereby by the stockholders of the company and BT and receipt of required regulatory approvals. It is expected that the merger will be accounted for under the purchase method of accounting.

<PAGE>

PAGE 11

PART 1.
ITEM 2.

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

GENERAL

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of the company's consolidated results of operations and financial condition. The discussion should be read in conjunction with the interim condensed consolidated financial statements and notes thereto and the company's Annual Report on Form 10-K for the year ended December 31, 1995.

The company operates primarily in a single industry segment, the long distance telecommunications industry (core business). Through acquisitions and investments in ventures and alliances, the company has expanded its business into certain developing markets. Provided below is a discussion of the company's consolidated results, along with additional information about the company's core business and its ventures and developing markets (VDM) businesses.

RECENT DEVELOPMENTS

On November 3, 1996, the company entered into an Agreement and Plan of Merger with British Telecommunications, plc (BT), a public limited company incorporated under the laws of England and Wales, and Tadworth Corporation (Tadworth), a Delaware corporation and a wholly-owned subsidiary of BT, pursuant to which the company will merge with and into Tadworth (the Merger). As a result of the Merger, each outstanding share of the company's common stock, par value \$.10 per share (other than shares held in the treasury of the company or owned by BT or Tadworth or any persons who shall have properly exercised their rights to appraisal under Delaware law), will be converted into the right to receive (i) .54 American Depositary Share (ADS) of BT, each representing ten ordinary shares of 25 pence each of BT (with cash being paid in lieu of fractional ADSs), and (ii) \$6.00 in cash. The combined company will be named Concert plc and will operate under the BT and MCI brand names in the United Kingdom and the United States, respectively.

Consummation of the Merger is subject to certain conditions, including the approval of the Merger and the transactions contemplated thereby by the stockholders of the company and BT and receipt of required regulatory approvals. It is expected that the merger will be accounted for under the purchase method of accounting.

<PAGE>

PAGE 12

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

CONSOLIDATED RESULTS

Consolidated revenues for the three and nine months ended September 30, 1996 increased 21* and 24* to \$4.7 billion and \$13.7 billion, respectively, from the comparable periods in 1995. As further explained below under "Core Business Results", the company's long distance telecommunications service revenue growth accounted for approximately 53* and 54* of the total year-over-year growth for the three and nine months ended September 30, 1996. The remaining growth is primarily due to the company's entrance into the information technology market through the acquisition of SHL Systemhouse, Inc. (Systemhouse) in November 1995 and into the cellular market and the expansion of its paging services through the acquisition of Nationwide Cellular, Inc. (Nationwide) in September 1995.

As reported, income from operations increased \$851 million and \$1,148 million for the three and nine months ended September 30, 1996, respectively. Operating margins were 12.4* and 12.7* during these periods versus (7)* and 5.4* in the comparable periods of 1995. Net income during the three and nine months ended September 30, 1996 was \$304 million and \$899 million, respectively, versus a net loss of \$240 million and net income of \$264 million reported in the comparable periods of 1995, respectively. Reflected in these period-over-period comparisons is the impact of an \$831 million pre-tax special charge (\$518 million or \$.75 per share, after tax) recorded in the third quarter of 1995. This charge was comprised of a pre-tax operating charge of \$736 million, which included an asset write-down of \$520 million and a \$216 million charge in sales, operations and general expenses for reorganization costs. The charge also included a \$95 million pre-tax charge relating to certain of the company's equity investments.

Excluding the 1995 special charges, the company's comparative income and earnings results were as follows: Income from operations increased 25* and 31* for the three and nine months ended September 30, 1996, respectively, from the comparable periods in 1995. This growth was predominantly in the core business.

The company's VIM businesses reported operating losses during these periods in 1996 of \$(32) million and \$(80) million, respectively. Consolidated operating margins for the three and nine months ended September 30, 1996 improved to 12.4% and 12.7% from 12.1% and 12% for the same periods in 1995, respectively. Net income increased 11% and 15% year-over-year for the three and nine months ended September 30, 1996, respectively. Core business net income increased 27% and 34% year-over-year for the three and nine months ended September 30, 1996, respectively, while the company's VIM businesses for the same periods in 1996 reported net losses of \$(73) million and \$(225) million.

<PAGE>

PAGE 13

MCJ COMMUNICATIONS CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

million, respectively, which losses include the company's equity in the net results of affiliated companies. Third quarter earnings per share increased 10% from the year ago quarter to \$4.44 per share and the 1996 nine months earnings per share increased 13% from the first nine months of 1995 to \$1.29 per share.

Cost of services increased 18% and 23% year-over-year for the three and nine months ended September 30, 1996, respectively. Cost of services primarily consists of telecommunications expense and other costs of products and services associated with the VIM businesses. Other costs of products and services include equipment, software and information technology services costs. As a percentage of revenue, cost of services decreased to 50.6% for the three months ended September 30, 1996 from 51.8% for the same period in 1995. On a year-to-date basis, cost of services decreased to 51.3% year-over-year from 51.6%. These decreases were primarily in the core business where telecommunications expense as a percentage of revenue decreased in the third quarter of 1996 to 49.4% from 51.3% in the year ago quarter and, on a year-to-date basis, to 50.2% in 1996 from 51.9% in 1995. These declines were largely a result of continued maximization of network efficiencies, use of alternative carriers and reductions in international settlement rates.

As reported, sales, operations and general expense increased 2% year over year. Absent the 1995 special charge, sales, operations and general expense increased year-over-year 22% and 21% for the three and nine months ended September 30, 1996, respectively. For the comparative quarter periods, core business accounted for approximately 54% of the total increase primarily due to increases in sales and marketing costs in the quarter to support business markets growth. The remaining 46% is primarily attributable to expenses incurred by Systemhouse and Nationwide. For the nine months ended September 30, 1996, core business results accounted for 41% of the increase due to increases in sales and marketing costs in the second and third quarter of 1996 offset by cost savings related to the company's 1995 reorganization. The remaining increase is due to the operating results of Systemhouse and Nationwide acquired in late 1995 and included in the nine months ended September 30, 1996.

Depreciation expense increased 11% and 26% year-over-year for the three and nine months ended September 30, 1996, respectively. Additions to the communications system network, in order to increase network capacity, redundancy and reliability, accounted for approximately 69% and 67% of the increase for the three and nine months ended September 30, 1996, respectively.

<PAGE>

PAGE 14

MC1 COMMUNICATIONS CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

offset by depreciation savings related to the asset write-down in September 1995. The remaining increase was primarily comprised of additional depreciation on Systemhouse and Nationwide property and equipment and amortization associated with these acquired companies, representing approximately 23% and 28% of the increase in depreciation expense for the three and nine months ended September 30, 1996, respectively.

Interest expense for the three and nine months ended September 30, 1996 increased \$16 million and \$44 million, respectively, from the year-ago periods due to increased debt balances as a result of commercial paper and Debenture issuances during the current quarter and year. Interest income declined \$29 million year-over-year due to the lower cash balances that resulted from the continued use of cash to fund capital network expenditures, investments in DBS and the company's investments in its VIM businesses.

As reported, equity in losses of affiliated companies improved by \$88 million and \$35 million for the quarter and year to date period in 1996. Excluding the 1995 special charge, equity in losses of affiliated companies increased by \$7 million and \$60 million from the comparable quarter and year to date periods in 1995. The increase in losses for the nine months ended September 30, 1996 is primarily the result of increased losses associated with the company's investment in ICS, the company's equity share of its investment in Avantel, a development stage enterprise, and its share of operating expenses of its on-line project.

Other expense, net, decreased by \$1 million and \$22 million for the three and nine months ended September 30, 1996, respectively, from the comparable periods during 1995 due to dividend income of \$15 million and \$39 million for the three months and nine months ended September 30, 1996, respectively, from the company's preferred stock investment in News Corp. made in August 1995.

Distributions on Trust preferred securities, issued in May 1996, totaled \$15 million for the quarter.

<PAGE>

PAGE 15

MC1 COMMUNICATIONS CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

ENTERPRISE REPORTING

This section segregates the performance of the company's core business from its

investments in VDM businesses. The following unaudited information was prepared using all amounts included in the company's interim condensed consolidated financial statements and reflects estimates and allocations that management believes provide a reasonable basis on which to present such information.

CORE BUSINESS RESULTS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	(In millions)			
	1996	1995	1996	1995
REVENUE	\$4,274	\$3,837	\$12,482	\$11,078
OPERATING EXPENSES				
Cost of services	2,111	2,005	6,266	5,754
Sales, operations and general	1,151	1,238	3,258	3,215
Depreciation	395	325	1,127	959
Asset write-down	-	481	-	481
TOTAL OPERATING EXPENSES	3,657	4,049	10,651	10,409
INCOME (LOSS) FROM OPERATIONS	617	(212)	1,831	669
Non-operating (expense) income, net	(3)	1	(1)	1
INCOME BEFORE INCOME TAXES	614	(211)	1,830	670
Income tax (provision) benefit	(233)	80	(699)	(258)
NET INCOME (LOSS)	\$ 381	\$ (131)	\$ 1,131	\$ 412

<PAGE>

PAGE 16

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

For the third quarter of 1996, core business revenue grew 11.4% and core business traffic grew 1% year-over-year, which resulted in a revenue to traffic variance of .4%. The revenue to traffic variance, which was an improvement from the year-over-year variance reported in the second quarter of 1996, was a result of the improved mix of higher margin product sales in the business and consumer markets, a more comparable mix of carrier traffic over the third quarter of 1995 and a reduction in consumer promotional activities. These revenue gains were partially offset by increased provisions for uncollectibles during the quarter as a result of tightening credit policies. For the first nine months of 1996, core business revenue grew 12.7% and core business traffic grew 15.4% year-over-year, which resulted in a revenue to traffic variance of 2.7%. The company expects the year-over-year annual revenue to traffic variance to continue to narrow in the fourth quarter of 1996.

Most segments of the business market increased year-over-year revenue and

traffic in the third quarter 1996 and nine months ended September 30, 1996. Year-over-year product revenue increases were primarily attributable to growth in Prism 1*, data, 800, prepaid cards, Internet and conference calling products. International traffic grew approximately 50% year-over-year for the three and nine months ended September 30, 1996.

In the mass markets, which includes the former consumer and small business market groups, competitive pressures continued to affect revenue and traffic growth. While customer churn has increased on a year-over-year basis, efforts to focus on revenue per customer and profitability have resulted in a sequential decline in churn. On a year-over-year basis, mass markets' growth was primarily in IntraLata, Personal 800* and 1-800-COLLECT* products.

Excluding the 1995 special charges, income from operations increased 27* and operating margin increased to 14.4* from 12.6* in the third quarter of 1996 versus the year-ago quarter. In the first nine months of 1996, income from operations increased 34* year-over-year and operating margin increased to 14.7* in 1996 from 12.3* in 1995. Operating margin improvements were attributable to reductions in international settlement costs, productivity improvements in the sales force, efficiencies in managing the network and streamlining actions taken in the third quarter of 1995.

(PAGE)

PAGE 17

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

Excluding the 1995 special charges, EBITDA (earnings before interest, taxes, depreciation and amortization), excluding equity in income (losses) of affiliated companies and other income (expense), net, increased 25* to \$1,012 million for the third quarter of 1996 from \$810 million for the year-ago quarter. On a year-to-date basis, EBITDA increased 27* year-over-year to \$2,958 million from \$2,325 million. EBITDA, a measure of the company's ability to generate cash flows, does not represent net income or cash flows from operating, investing and financing activities as defined by generally accepted accounting principles and should be considered in addition to, but not as a substitute for, or superior to, other measures of financial performance reported in accordance with generally accepted accounting principles.

VENTURES AND DEVELOPING MARKETS RESULTS

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	

	(In millions)			
	1996	1995	1996	1995
	-----	-----	-----	-----
REVENUE	\$ 474	\$50	\$1,427	\$107
	-----	-----	-----	-----
OPERATING EXPENSES				
Cost of services	318	22	951	45
Sales, operations and general	153	44	460	82
Depreciation	35	3	96	13
Asset write-down	-	39	-	39

TOTAL OPERATING EXPENSES	506	108	1,507	179
LOSS FROM OPERATIONS	(32)	(58)	(80)	(72)
Non-operating (expense) income, net	(57)	(2)	(146)	(2)
Equity in income (losses) of affiliated companies	(28)	(116)	(128)	(163)
LOSS BEFORE INCOME TAXES	(117)	(176)	(354)	(237)
Income tax benefit	44	67	129	89
NET LOSS	\$ (73)	\$ (109)	\$ (225)	\$ (148)

<PAGE>

PAGE 18

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

The significant year-over-year changes in the VIM business results reflect the acquisitions in late 1995 of Systemhouse and Nationwide. The 1995 operating results consisted primarily of the operations of MCImetro, Inc. (MCImetro*), a wholly-owned subsidiary of the company.

Excluding the 1995 special charge, loss from operations increased year-over-year for the three and nine months ended September 30, 1996 compared to the same periods in the prior year primarily due to product operating costs and losses from wireless services and MCImetro. Equity in losses of affiliated companies increased for the three and nine months ended September 30, 1996 compared to the same periods in the prior year. The increased losses for the three and nine months ended September 30, 1996 as compared to 1995 were largely due to increased losses of ICS, initial start-up costs for Avantel S.A. de C.V. (Avantel), the company's 44.5% owned business venture with Grupo Financiero Banamex-Acrival in Mexico, and costs associated with the company's on-line project with News Corp.

Information Technology Services

Revenue from information technology services, which was primarily generated from Systemhouse's operations, for the three and nine months ended September 30, 1996 was \$339 million and \$1,010 million, respectively. Income from operations was \$2 million and \$29 million for the three and nine months ended September 30, 1996 and net loss, which includes allocated interest, was \$(19) million and \$(46) million, respectively. EBITDA was \$21 million and \$87 million for the same periods. A discussion of results of operations and EBITDA for comparable periods during 1995 is not meaningful due to the company's acquisition of Systemhouse in November 1995. Systemhouse has increased its mix of revenue from deployment services which has resulted in reduced operating margins during the three months ended September 30, 1996. In addition, Systemhouse has incurred expenses relating to infrastructure investment to expand its systems integration practice in the United States. Systemhouse's backlog at September 30, 1996 was approximately \$2 billion, the majority of which was from its 10 largest customers. The company expects that approximately 14% of this estimated backlog

will be delivered in the fourth quarter of 1996.

Wireless Services

Revenue from wireless services, which is comprised primarily of the operations of Nationwide, amounted to \$83 million and \$267 million for the three and nine months ended September 30, 1996, respectively, as compared to \$9 million and \$11 million for the comparable periods of 1995. Wireless revenues are derived from cellular and paging services and equipment sales. The increase in revenues

<PAGE>

PAGE 19

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

for the three and nine month periods in 1996 is the direct result of the acquisition of Nationwide in September 1995.

Loss from operations was \$(9) million and \$(26) million and net loss was \$(9) million and \$(27) million for the three and nine months ended September 30, 1996, respectively. EBITDA was \$(4) million and \$(14) million for the three and nine months ended September 30, 1996, respectively. A discussion of results of operations and EBITDA for the corresponding periods of 1995 is not meaningful due to the acquisition of Nationwide in September 1995. At September 30, 1996, the company had 407 thousand cellular service subscribers, up 28* from the comparable period in 1995, and 342 thousand paging service subscribers. Paging subscribers declined during the third quarter of 1996 as the company proactively terminated paging offerings to consumers in the second quarter of 1996 to revise the infrastructure. The company anticipates re-launching the service late in the fourth quarter of 1996 or the first quarter of 1997.

Local Services

During the three and nine months ended September 30, 1996, MCI Metro*, the company's local services provider, reported revenue of \$45 million and \$129 million, respectively, on sales of fiber-optic capacity and competitive access services, substantially all of which were to the company's core business. For the three and nine months ended September 30, 1996, loss from operations was \$(25) million and \$(58) million and net loss was \$(19) million and \$(44) million, respectively. EBITDA was \$(15) million and \$(35) million, respectively, for the same periods. During the third quarter of 1996, MCI Metro added 6 local city networks, which brought the total number of operational local city networks to 61 in 34 cities. During the third quarter of 1996, MCI Metro increased its route miles to 2,769 from 2,625 and its right-of-way miles to 4,114 from 4,050.

Global Services

For the three and nine months ended September 30, 1996, Concert Communications Company** product sales by its distributors amounted to \$160 million and \$404 million, respectively, an increase of greater than 100* from the comparable year-ago periods. Concert's virtual network service continued to grow with over 90 sites active or becoming operational around the world. For the three and nine months ended September 30, 1996, the company's share of Concert's losses reported in accordance with U.S. generally accepted accounting principles was \$(7) million and \$(23) million, respectively.

<PAGE>

PAGE 20

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

In August 17, 1996, Avantel became the first company to provide competitive long distance service in the Mexican telecommunications market and launched the first branded Mexico to United States collect calling product and two new dialing products targeted to consumers and businesses. Avantel increased its fiber-optic network in Mexico during the quarter by 31% to 3,355 route miles at September 30, 1996. Avantel's capital expenditures, substantially related to the development of its communication system, were approximately \$400 million for the nine months ended September 30, 1996. Avantel's operating expenses are expected to increase in the fourth quarter directly related to the launch of long distance service and the need for additional workforce to support new customers. The company's share of Avantel's losses was \$(9) million and \$(20) million for the three and nine months ended September 30, 1996, respectively.

Multimedia Services

For the three and nine months ended September 30, 1996, the company recorded dividend income of \$15 million and \$39 million, respectively, on its preferred stock investment in News Corp.

In January 1996, the company won the last national direct broadcast satellite (DBS) license with a bid of \$687 million, of which the company has paid \$136 million and expects to pay the remainder prior to the end of this year. In March 1996, the company entered into contracts for the insurance, construction and launch of two high-powered satellites at a cost of approximately \$430 million. The company and News Corp. have agreed to form a joint venture, in which the company anticipates owning less than a 20% interest, to provide digital satellite services to homes and businesses in the United States beginning in late 1997. The total cost required to initiate service, including the cost of the license, construction and launch of the satellites, and the related ground facilities, is expected to be approximately \$1.3 billion.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Cash from operating activities for the first nine months of 1996 increased to \$2,055 million from the comparable period in 1995 primarily due to the 24% growth in revenues and the associated collections from customers offset by increased cash paid to local exchange carriers, suppliers and employees.

<PAGE>

PAGE 21

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

Net cash used for investing activities increased by \$711 million. The net increase was primarily due to a reduction from the prior year in cash proceeds received from the sale of marketable securities of \$1.2 billion offset by a \$650 million decrease in the amount the company invested in News Corp. in 1996. Also contributing to the net increase in cash used for investing activities were increases in capital expenditures of \$162 million, primarily related to the continuing investment in networking capabilities, \$136 million for the 20% downpayment of the license fee for the DBS orbital spectrum slot and \$132 million of DBS satellite construction costs.

Cash proceeds from financing activities increased by approximately \$860 million due to the issuances of the \$750 million of 8% Cumulative Quarterly Income Preferred Securities due June 30, 2026, \$500 million aggregate principal amount of 7 1/8% debentures due June 15, 2027 and \$300 million aggregate principal amount of 6.95% senior notes due August 15, 2006. Additionally, \$342 million was received for issuances of stock under the employee stock and benefit plans. Gross proceeds received under these issuances were offset by repayments of commercial paper and other debt of approximately \$370 million and \$310 million, respectively, treasury stock repurchases of approximately \$520 million and dividends paid on common stock and Class A common stock of \$17 million.

Capital Resources and Liquidity

The company believes that it will be able to meet its current and long-term liquidity and capital requirements, including the \$247.5 million planned investment in Avantel, planned DBS venture costs, and investments in News Corp. and MCI Metro, through its cash flows from operating activities, bank credit facility, debt shelf registrations and access to the capital markets. During September 1996, the company replaced its bank credit facility with a new \$2 billion bank credit facility expiring in September 2001. There are no amounts currently outstanding under this facility.

During the first nine months of 1996, the company issued \$6,221 million and repaid \$6,589 million of commercial paper borrowings, leaving \$338 million of such borrowings outstanding at September 30, 1996.

<PAGE>

PAGE 22

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

On May 29, 1996, MCI Capital I, a wholly-owned Delaware statutory business trust (Trust), issued \$750 million of 8% Cumulative Quarterly Income Preferred Securities, Series A (preferred securities) due June 30, 2026. The Trust exists for the sole purpose of issuing the preferred securities and investing the proceeds in the company's 8% Junior Subordinated Deferrable Interest Debentures, Series A (Subordinated Debt Securities) due June 30, 2026, the only assets of the Trust. The proceeds from the issuance of the Subordinated Debt Securities were used for general corporate purposes.

During the nine months ended September 30, 1996, the company issued two series of debt under its \$1 billion shelf registration. On June 24, 1996, the company issued \$500 million aggregate principal amount of 7 1/8% Debentures due June 15,

2027 and on August 9, 1996, the company issued \$300 million aggregate principal amount of 5.95% Senior Notes due August 15, 2006. The proceeds of the issuances were used for general corporate purposes, including the repayment of short-term borrowings under the company's commercial paper program.

On September 30, 1996, the company filed a new \$1 billion shelf registration that, together with the \$200 million available under the prior \$1 billion shelf, will allow the company to issue up to \$1.2 billion aggregate principal amount of debt securities with a range of maturities at either fixed or variable rates.

Consolidated EBITDA

EBITDA (earnings before interest, taxes, depreciation and amortization), excluding equity in income (losses) of affiliated companies, other income (expense), net, and distributions on Trust preferred securities, increased 42% to \$2,967 million for the nine months ended September 30, 1996 from \$2,089 million from the prior year to date period and from \$2,305 million, or 29%, excluding the 1995 special charges. Improvement in consolidated EBITDA is primarily the result of the improvement in core business results, partially offset by EBITDA declines in the local and multimedia and international markets. EBITDA, a measure of the company's ability to generate cash flows, does not represent net income or cash flows from operating, investing and financing activities as defined by generally accepted accounting principles and should be considered in addition to, but not as a substitute for, or superior to, other measures of financial performance reported in accordance with generally accepted accounting principles.

<PAGE>

PAGE 23

MCJ COMMUNICATIONS CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

CURRENT INDUSTRY ENVIRONMENT

In April 1996, two separate mergers among four of the seven Regional Bell Operating Companies (RBOCs) were proposed. Each of the RBOC mergers requires approval of the FCC, the Department of Justice (DOJ) and regulatory commissions in a number of states. In November 1996, the DOJ closed its investigation of one merger having determined that there are no antitrust violations. Both mergers still require FCC and other regulatory approvals. The company believes that the consummation of these mergers could slow the development of competition in local services markets because it removes competing parties.

On August 8, 1996, pursuant to the Telecommunications Act of 1996 (the Act), the FCC adopted rules relating to the manner in which and the price at which new entrants into local services markets will be able to interconnect with the incumbent local exchange carriers (ILECs). On October 15, 1996, the United States Court of Appeals stayed key provisions of the FCC Interconnection Order, pending the appeal of the FCC's decision. The decision suspends pricing rules, thereby permitting individual state regulatory agencies to interpret the pricing provisions in the Act without regard to the FCC's interpretation of those provisions. The company believes that the October 15 decision may hinder the company's ability to obtain ILEC services and facilities on an economic basis and will delay broad-based competition in the local services markets. The company will continue to pursue revenue growth and expand local service capabilities in cities where the company has existing and planned local

switches. MCImetro currently has 13 switches installed in major U.S. cities and plans installation of an additional 11 switches by the end of 1996.

- * MCImetro, Personal 800, 1-800-COLLECT and Prism I are registered service marks of MCI Communications Corporation.
**Concert is a mark of Concert Communications Company and is used under license.

<PAGE>

PAGE 24

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES
FORM 10-Q

PART II. OTHER INFORMATION

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits

Exhibit No.	Description
10(a)	Executive Severance Policy.
11	Computation of Earnings per Common Share.
12	Computation of Ratio of Earnings to Fixed Charges.
27	Financial Data Schedule as of September 30, 1996.
99(a)	Capitalization Schedule as of September 30, 1996.

b) Reports on Form 8-K

The company filed a Current Report on Form 8-K on August 8, 1996, which reported matters under Items 5 and 7.

<PAGE>

PAGE 25

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES
FORM 10-Q

SIGNATURE

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

MCI COMMUNICATIONS CORPORATION

Date: November 14, 1996

Signed: /s/ David M. Case

David M. Case

Vice President and Controller

<PAGE>

PAGE 26

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES
FORM 10-Q
EXHIBIT INDEX

EXHIBIT NO. -----	Description -----
10(a)	Executive Severance Policy.
11	Computation of Earnings per Common Share.
12	Computation of Ratio of Earnings to Fixed Charges.
27	Financial Data Schedule as of September 30, 1996.
99(a)	Capitalization Schedule as of September 30, 1996.

</TEXT>
</DOCUMENT>
<DOCUMENT>
<TYPE>EX-10.A

<SEQUENCE>
<DESCRIPTION>EXECUTIVE SEVERANCE POLICY
<TEXT>

EXECUTIVE SEVERANCE POLICY

INTRODUCTION

MCI Communication Corporation (the "Company"), a Delaware corporation, and British Telecommunications plc intend to effect a merger (the "Merger") pursuant to the Agreement and Plan of Merger dated as of November 2, 1996. In order to induce Executive to continue to serve as an executive officer of the Company during the period prior to the Merger and thereafter, the Company desires to provide Executive with certain protections on the terms and conditions set forth in this Executive Severance Policy (the "Policy"):

1. Term. The term of this Policy shall commence on November 2, 1996 and shall terminate on December 31, 1999. (the "Termination Date").

2. Termination of Employment.

2.1 Compensation Upon Termination of Employment. (a) If, prior to the Termination Date, the Executive's employment shall be terminated by the Company for any reason other than (i) the Executive's Disability or (ii) for Cause, or if during the term hereof, the Executive terminates Executive's employment for Good Reason, the Company shall pay or cause to be paid to the Executive an amount equal to two times the sum of (x) Executive's annual base salary as in effect on the date of termination (without regard to any decrease in Base Salary which could constitute Good Reason under this Policy) ("Base Salary") and (y) the greater of (A) the average annual bonus paid to or accrued for the Executive by the Company in respect of the three calendar years preceding the termination of employment and (B) the annual bonus paid to or accrued in respect of 1995. Such cash amounts shall be paid as follows: the amount attributable to Base Salary shall be paid in a lump sum within 10

<PAGE>

business days following the termination of Executive's employment; provided, however, that if Executive terminates his or her employment for Good Reason such amount shall be payable over a six-month period in equal installments in accordance with the ordinary payroll practices of the Company, but no less frequently than monthly, and the amount attributable to the annual bonus shall be paid in a lump sum within 10 business days following the termination of Executive's employment.

In addition, Executive shall receive (i) the unpaid portion of Executive's Base Salary accrued to the date of termination, and any accrued vacation as of the date of termination; (ii) the unpaid portion of Executive's

annual bonus accrued with respect to the last full fiscal year of the Company ended prior to the date of termination, at such time as such bonus would otherwise be payable; (iii) continued medical, dental and life insurance coverage for Executive and Executive's eligible dependents on the same basis as in effect immediately prior to Executive's termination of employment (without regard to any decreases in such benefits which would constitute "Good Reason" under this Policy) until the earlier of (A) 24 months after the Executive's termination of employment or (B) the commencement of coverage with a subsequent employer, but only to the extent such coverage duplicates or exceeds the coverage provided by the Company; provided, however, that with respect to any such continued coverage, the Consolidated Omnibus Budget and Reconciliation Act of 1985 coverage period shall not run during the period of continued coverage; (iv) unless otherwise expressly elected by Executive prior to such termination and as provided in (vi) below, payment, in a cash lump sum, of all amounts deferred by Executive under any non-qualified plan of deferred compensation maintained by the Company (notwithstanding the payment provisions of any such plan to the contrary); (v) full acceleration of vesting and exercisability

<PAGE>

of any equity-based awards granted to the Executive prior to Executive's termination of employment and (vi) 24 months of age and service credit for all purposes under all defined benefit plans of the Company; provided, however, that to the extent any increase in benefits which would result from such additional age and service credits cannot be paid under the terms of any plan, the amount of such increase shall be calculated under the terms of each such plan and paid directly by the Company in the same form and at the same time that the benefits under each such plan would otherwise be paid. Payments required hereunder shall be made within 10 business days following the termination of the Executive's employment except as otherwise provided in this Section 2.1.

(b) In the event of the termination of the Executive's employment prior to the Termination Date due to executive's death or Disability, the Company shall pay to the Executive (or Executive's beneficiaries, if applicable) a lump sum cash amount equal to (i) the annual rate of Executive's Base Salary as in effect on the date of termination and (ii) the highest bonus paid to Executive under the Company's annual bonus plan during the three fiscal years preceding the termination of employment. In addition, Executive shall receive (i) the unpaid portion of Executive's Base Salary accrued to the date of termination, and any accrued vacation as of the date of termination; (ii) the unpaid portion of Executive's annual bonus accrued with respect to the last full fiscal year of the Company ended prior to the date of termination, at such time as bonus would otherwise be payable; and (iii) unless otherwise expressly elected by Executive prior to such termination, payment, in a cash lump sum, of all amounts deferred by Executive under any non-qualified plan of deferred compensation (other than a defined benefit plan) maintained by the Company (notwithstanding the payment provisions of any such plans to the contrary). Payments required hereunder shall be made

<PAGE>

within 10 business days following the termination of the Executive's employment except as otherwise provided in this Section 2.1.

(c) If the Executive's employment is terminated by the Company for Cause or if the Executive resigns from Executive's employment without Good Reason, the Executive shall be entitled to receive: (i) any Base Salary accrued through the date of such resignation or termination and any accrued vacation as of the date of termination; and (ii) the unpaid portion of any annual bonus accrued in respect of any fiscal year of the Company preceding the year of termination or resignation when such bonus would otherwise be payable.

(d) In the event of any termination of employment hereunder, the Executive shall also receive, when due, any other compensation or benefit payable to the Executive under any plan, program or arrangement maintained by the Company, other than a severance plan or arrangement.

2.2 Definitions. For purposes of this Policy, the following definitions shall apply:

(a) Disability. "Disability" shall mean the Executive's absence from the full-time performance of the Executive's duties for a period of 180 consecutive days as a result of Executive's incapacity due to physical or mental illness.

(b) Cause. For purposes of this Policy, "Cause" shall mean:

(1) a deliberate and material act or omission by the Executive with respect to Executive's duties and responsibilities with the Company that results in material harm to the Company (provided, that a financial harm of \$500,000 shall be deemed to be "material"); which act or omission is (A) either the product of willful malfeasance or gross neglect, (B) committed in bad faith or without reasonable belief that such act

<PAGE>

or omission is in, or not contrary to, the best interests of the Company and (C) not remedied within 30 days after receipt of written notice from the Company specifying such breach.

(2) Executive's willful and material breach of the provisions of Section 8 of this Policy which is not remedied within 30 days after receipt of written notice from the Company specifying such breach; or

(3) Executive's plea of guilty or nolo contendere to, or nonappealable conviction of, a felony, which conviction or plea causes material damage to the reputation or financial position of the Company.

(c) Good Reason. For purposes of this Policy, "Good Reason" shall mean the occurrence of any of the following without the Executive's express written consent:

(1) The assignment to the Executive, after the Merger, of any duties inconsistent with the Executive's positions, duties, responsibilities and status with the Company and its subsidiaries immediately prior to the Merger; a change in the Executive's reporting

responsibilities, title or offices that is adverse to the Executive or any removal of the Executive from or failure to re-elect the Executive to any position with the Company or its subsidiaries except in connection with the Executive's promotion or a termination of employment for Cause; provided, that no change in Executive's responsibilities that occurs as a result of the Company no longer being a public company or becoming a subsidiary after the Merger shall constitute Good Reason hereunder.

<PAGE>

(2) A reduction in the Executive's Base Salary, target annual bonus or long-term incentive compensation in effect at the time of the Merger, as such salary, bonus or compensation may be increased from time to time thereafter;

(3) The failure to continue in effect any employee benefit plan or compensation plan in which the Executive participates prior to the Merger unless the Executive is provided with participation in other plans that provide substantially comparable benefits in the aggregate to the Executive; or the taking of any action that would substantially reduce the Executive's benefits in the aggregate; and

(4) After the Merger, any relocation of Executive's principal place of business on the effective date of the Policy to a location in excess of 20 miles from such work location immediately prior to the Merger;

provided, however, that an event specified in (1), (2) or (3) shall not constitute "Good Reason" if it is remedied within 30 days after receipt of written notice from Executive specifying such event.

2.3 Gross Up. (a) In the event it shall be determined that any payment, benefit or distribution (or combination thereof) by the Company or one or more trusts established by the Company for the benefit of its employees, to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Policy, or under the terms of any other plan, program agreement or arrangement) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, hereinafter collectively referred to as the "Excise Tax"), Executive shall be entitled to receive an additional payment (a "Gross-Up

<PAGE>

Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and the Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 2.3(c), all determinations required to be made under this Section 2.3, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized certified public accounting firm as may be designated by the Company (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and Executive within fifteen (15) business days of the receipt of notice from Executive that there has been a Payment, or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment shall be paid by the Company to Executive within five (5) days after the receipt of the Accounting Firm's determination.

(c) As soon as practicable, Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. If the Company notifies Executive in writing that it desires to contest such claim, Executive shall cooperate in all reasonable ways with the Company in such contest and the Company shall be entitled to participate in all proceedings relating to such claims; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with

<PAGE>

such contest and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 2.3, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to Executive, on an interest-free basis, and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and provided, further, that if Executive is required to extend the statute of limitations to enable the Company to contest such claim, Executive may limit this extension solely to such contested amount. The Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive

<PAGE>

shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

3. **Obligations Absolute; No Mitigation.** (a) Except as provided in Section 8(d), the obligations of the Company to make the payments to, or other arrangements with respect to, the Executive provided for herein shall be absolute and unconditional and shall not be reduced by any circumstances, including without limitation any setoff, counterclaim, recoupment, defense or other right which the Company may have against the Executive or any third party at any time.

(b) Executive shall not be required to mitigate damages or the amount of any payment provided for under this Policy by seeking other employment or otherwise. No amounts paid to or earned by the Executive following his termination of employment with the Company shall reduce or be set off against any amounts payable to the Executive under this Policy.

4. **No Effect On Other Rights.** The provisions of this Policy, and any payment provided for herein, shall not supersede or in any way limit the rights, benefits, duties or obligations which the Executive may now or in the future have under any benefit, incentive or other plan or arrangement of the Company or any other agreement with the Company; provided, however, that the Executive shall not be eligible to receive severance benefits under the Company's regular severance plan during the term of this Policy.

5. **Dispute Resolution.** Any dispute or controversy arising under or in connection with this Policy shall be resolved exclusively by arbitration in Washington D.C. in accordance with the Rules of the American Arbitration Association then in effect. Judgment

<PAGE>

may be entered on an arbitrator's award relating to this Policy in any court having jurisdiction.

6. **Legal Fees.** The Company shall pay all costs and expenses, including attorney's fees and disbursements of Executive in connection with any arbitration whether or not instituted by the Company or Executive, relating to the interpretation or enforcement of any provision of this Policy, if Executive prevails in such arbitration on any substantive issue.

7. **Assignment.** Neither this Policy nor any rights or obligations hereunder shall be assignable or otherwise subject to hypothecation by Executive (except by will or by operation of the laws of intestate succession) or by the Company, except that the Company must assign this Policy to any successor (whether by merger, purchase or otherwise) to all or substantially all of the assets or businesses of the Company, and shall require such successor to assume expressly the obligations of the Company hereunder.

8. **Nondisclosure of Confidential Information; Non-Competition.**

(a) Executive may not, without the prior written consent of the Company, use, divulge, disclose or make accessible to any other person, firm, partnership, corporation or other entity any Confidential Information pertaining to the business of the Company or any of its affiliates, except (i) while employed by the Company, in the business of and for the benefit of the Company, (ii) when required to do so by a court of competent jurisdiction, by any governmental

agency having supervisory authority over the business of the Company, or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order Executive to divulge, disclose or make accessible such information or (iii) to Executive's counsel. For purposes of this Section 8(a), "Confidential Information" shall mean non-public information concerning the financial data, strategic business plans, product

<PAGE>

development (or other proprietary product data), customer lists, marketing plans and other non-public, proprietary and confidential information of the Company and its affiliates (the "Restricted Group") or customers, that, in any case, is not otherwise available to the public (other than by Executive's breach of the terms hereof).

(b) During the period of Executive's employment hereunder, and in the event the Executive terminates his or her employment for Good Reason, for six months thereafter, Executive may not (A) directly or indirectly, either as principal, manager, agent, consultant, officer, stockholder, partner, investor, lender or employee or in any other capacity, carry on, be engaged in or have any financial interest in, any business which is in competition with the business of the Company or any other member of the Restricted Group with which Executive has been principally employed during the term of this Policy (an "Applicable Group Member") and (B) on Executive's own behalf or on behalf of any person, firm or company, other than the Restricted Group, solicit or offer employment to any person who has been employed by the Restricted Group at any time during the 12 months immediately preceding such solicitation.

(c) For purposes of this Section 8, a business shall be deemed to be in competition with the Company or Applicable Group Member if it is principally involved in the purchase, sale or other dealing in any property or the rendering of any service purchased, sold, dealt in or rendered by the Company or Applicable Group Member as a material part of the business of the Company or Applicable Group Member within the same geographic area in which the Company or Applicable Group Member makes such purchases, sales or dealings or renders such services. Nothing in this Section 8 shall be construed so as to preclude Executive from investing in any publicly or privately held company, provided Executive's

<PAGE>

beneficial ownership of any class of such company's securities does not exceed 1% of the outstanding securities of such class.

(d) In the event the Executive engages in conduct which is proscribed by the terms of Section 8(a) or (b) of this Policy, the Company may, in addition to pursuing any other remedies it may have in law or in equity, cease providing any severance payments or benefits otherwise due under the terms of this Policy.

9. Beneficiaries; References. Executive shall be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death, and may change such election, in either

case by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of Executive's incompetence, reference in this Policy to Executive shall be deemed, where appropriate, to refer to Executive's beneficiary, estate or other legal representative. Any reference to the masculine gender in this Policy shall include, where appropriate, the feminine.

10. Separability. If any provision of this Policy shall be declared to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the remaining provisions hereof which shall remain in full force and effect.

11. Governing Law. This Policy shall be construed, interpreted and governed in accordance with the laws of the State of New York, without reference to rules relating to conflicts of law.

12. Withholding. The Company shall be entitled to withhold from payment any amount of withholding required by law.

<PAGE>

13. Amendment. This Policy may not be amended or in any way modified or terminated on or after the date of the Merger.

November 2, 1996

</TEXT>
</DOCUMENT>
<DOCUMENT>
<TYPE>EX-11
<SEQUENCE>3
<DESCRIPTION>COMPUTATION OF EARNINGS PER COMMON SHARE
<TEXT>

Exhibit 11

(Page 1 of 2)

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER COMMON SHARE
(In millions, except per share amounts)
(unaudited)

	Three months ended September 30, -----		Nine months ended September 30, -----	
	1996	1995	1996	1995
Primary	-----	-----	-----	-----
Net income (loss).....	\$304	\$(240)	\$ 859	\$264
	-----	-----	-----	-----
Adjustment of shares outstanding:				
Weighted average shares of common stock outstanding.....	685	680	688	680
Shares of common stock issuable upon the assumed exercise of common stock equivalents.....	42	55	57	55

Shares of common stock assumed repurchased for treasury(a).....	(36)	(47)	(50)	(49)
Adjusted shares of common stock and common stock equivalents for computation.....	691	688	695	686
Earnings (loss) per common and common equivalent shares.....	\$.44	\$(1.35)	\$1.29	\$.38

(a) At an average market price of \$25.74 and \$27.63 for the three and nine months ended September 30, 1996, respectively, and \$23.63 and \$21.35 for the three and nine months ended September 30, 1995, respectively.

<PAGE>

Exhibit 11

(Page 2 of 2)

MC1 COMMUNICATIONS CORPORATION AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER COMMON SHARE
(In millions, except per share amounts)
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	1996	1995	1996	1995
Assuming Full Dilution				
Net income (loss).....	\$304	\$(240)	\$ 899	\$264
Adjustment of shares outstanding:				
Weighted average shares of common stock outstanding.....	685	680	688	679
Shares of common stock issuable upon the assumed exercise of common stock equivalents.....	42	56	57	55
Shares of common stock assumed repurchased for treasury(b).....	(36)	(43)	(50)	(40)
Adjusted shares of common stock and common stock equivalents for computation.....	691	693	695	694
Earnings (loss) per common and common equivalent shares.....	\$.44	\$(1.35)	\$1.29	\$.38

(b) The three and nine months ended September 30, 1996 average market prices of \$25.74 and \$27.63, respectively, were used as they are higher than the ending market price of \$25.63. The September 30, 1995 ending market price of \$26.06 was used as it is higher than the average market price of \$23.63 and \$21.35 for the three and nine months ended September 30, 1995, respectively.

</TEXT>
</DOCUMENT>
</DOCUMENT>
<TYPE>EX-12

<SEQUENCE>4
 <DESCRIPTION>COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 <TEXT>

Exhibit 12

MCJ COMMUNICATIONS CORPORATION AND SUBSIDIARIES
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 (In millions, except ratio amounts)
 (unaudited)

	Nine Months Ended September 30,			Year Ended December 31,			
	1996	1995	1995	1994	1993	1992	1991
Earnings:							
Income before income taxes and extraordinary item(a)	\$ 1,469	\$ 432	\$ 897	\$ 1,280	\$ 1,045	\$ 963	\$ 848
Add:							
Fixed charges	333	253	344	315	315	346	334
Less:							
Capitalized interest	79	68	93	78	61	52	58
Total earnings	\$ 1,723	\$ 617	\$ 1,148	\$ 1,517	\$ 1,299	\$ 1,257	\$ 1,124
Fixed Charges:							
Fixed charges on indebtedness, including amortization of debt discount and premium(a)	\$ 252	\$ 177	\$ 242	\$ 231	\$ 239	\$ 270	\$ 270
Interest portion of operating lease rentals(b)	81	76	102	84	76	76	64
Total fixed charges	\$ 333	\$ 253	\$ 344	\$ 315	\$ 315	\$ 346	\$ 334
Ratio of earnings to fixed charges	5.17	2.44	3.34	4.82	4.12	3.63	3.37

(a) Includes distributions on Trust preferred securities.

(b) The interest portion of operating lease rentals is calculated as one third of rent expense which represents a reasonable approximation of the interest factor.

</TEXT>
 </DOCUMENT>
 <DOCUMENT>
 <TYPE>EX-27
 <SEQUENCE>5
 <TEXT>

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

This schedule contains summary financial information extracted from the balance sheet of MCI Communications Corporation and Subsidiaries at September 30, 1996 and the income statement for the nine months ended September 30, 1996 and is qualified in its entirety by reference to such financial statements.

</LEGEND>

<CIF>

6000064079

<NAME>

MCI Communications Corporation

<MULTIPLIER>

1,000,000

<S>

<C>

<PERIOD-TYPE>

9-MOS

<FISCAL-YEAR-END>

DEC-31-1996

<PERIOD-START>

JAN-01-1996

<PERIOD-END>

SEP-30-1996

<CASH>

250

<SECURITIES>

130

<RECEIVABLES>

3,331

<ALLOWANCES>

265

<INVENTORY>

0

<CURRENT-ASSETS>

4,655

<PPE>

17,943

<DEPRECIATION>

6,285

<TOTAL-ASSETS>

21,509

<CURRENT-LIABILITIES>

5,079

<BONDS>

3,722

<PREFERRED-MANDATORY>

750

<PREFERRED>

0

<COMMON>

74

<OTHER-SE>

10,255

<TOTAL-LIABILITY-AND-EQUITY>

21,509

<SALES>

0

<TOTAL-REVENUES>

13,741

<CGS>

0

<TOTAL-COSTS>

11,997

<OTHER-EXPENSES>

0

<LOSS-PROVISION>

409

<INTEREST-EXPENSE>

153

<INCOME-PRETAX>

1,489

<INCOME-TAX>

570

<INCOME-CONTINUING>

899

<DISCONTINUED>

0

<EXTRAORDINARY>

0

<CHANGES>

0

<NET-INCOME>

899

<EPS-PRIMARY>

1.29

<EPS-DILUTED>

1.29

</TABLE>

</TEXT>

</DOCUMENT>

<DOCUMENT>

<TYPE>EX-99,A

<SEQUENCE>6

<DESCRIPTION>CAPITALIZATION SCHEDULE

<TEXT>

Exhibit 99(a)

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CAPITALIZATION SCHEDULE
(In millions)
(unaudited)

Set forth below is the capitalization of the company as of September 30, 1996:

Debt(a):

Secured debt:

Capital lease obligations.....	\$ 519
Other secured obligations.....	36
Total secured debt.....	555

Unsecured debt:

Senior Notes, net.....	1,735
Senior Debentures, net.....	1,383
Commercial paper borrowings.....	338
Other unsecured debt.....	150
Total unsecured debt.....	3,606

Total debt.....	4,161
-----------------	-------

Company Obligated Mandatorily Redeemable Preferred
Securities of Subsidiary Trust Holding Solely
Junior Subordinated Deferrable Interest
Debentures of the Company (b).....

750

Stockholders' equity:

Class A common stock, \$.10 par value, authorized 560 million shares, issued 136 million shares.....	14
Common stock, \$.10 par value, authorized 2 billion shares, issued 593 million shares.....	60
Additional paid in capital.....	6,366
Retained earnings.....	4,945
Treasury stock, at cost, 44 million shares.....	(1,056)

Total stockholders' equity.....	10,329
---------------------------------	--------

Total capitalization.....	\$15,240
---------------------------	----------

(a) For additional information concerning the company's capital lease obligations, which are obligations of subsidiaries of the company that are guaranteed by the company, and for additional information concerning the company's long-term debt, see Note 9 of Notes to Consolidated Financial Statements on pages 22 through 24 of the company's Annual Report to Stockholders, which is included in Exhibit 13 to the company's Annual Report on Form 10-K for the year ended December 31, 1995. Interest rates on capital lease obligations, on a weighted average basis, approximated 9% per annum at September 30, 1996.

(b) On May 29, 1996, MCI Capital I, a wholly-owned Delaware statutory business trust (Trust), issued \$750 million of 8% Cumulative Quarterly Income Preferred Securities, Series A (preferred securities), and \$23 million in common securities (Common Securities). The company holds all of the outstanding Common Securities of the Trust. The Trust exists for the sole purpose of issuing the preferred securities and investing the proceeds in the company's 8% Junior Subordinated Deferrable Interest Debentures, Series A (Subordinated Debt Securities) due June 30, 2026.

</TEXT>

</DOCUMENT>

</SEC-DOCUMENT>

-----END PRIVACY-ENHANCED MESSAGE-----

LOCAL EXCHANGE SERVICE

MCImetro ACCESS TRANSMISSION SERVICES, INC.
REGULATIONS AND SCHEDULE OF INTRASTATE CHARGES
APPLYING TO LOCAL EXCHANGE SERVICE
WITHIN THE STATE OF South Dakota



Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

CHECK SHEET

Pages 1 - 97 inclusive of this tariff are effective as of the date shown. Original and revised pages, as named below, comprise all changes from the original tariff in effect on the date indicated.

Page Title	Revision
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
16	Original
17	Original
18	Original
19	Original
20	Original
21	Original
22	Original
23	Original
24	Original
25	Original

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

CHECK SHEET (CONT'D)

<u>Page</u>	<u>Revision</u>
26	Original
27	Original
28	Original
29	Original
30	Original
31	Original
32	Original
33	Original
34	Original
35	Original
36	Original
37	Original
38	Original
39	Original
40	Original
41	Original
42	Original
43	Original
44	Original
45	Original
46	Original
47	Original
48	Original
49	Original
50	Original

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

CHECK SHEET (CONT'D)

Page	Revision
51	Original
52	Original
53	Original
54	Original
55	Original
56	Original
57	Original
58	Original
59	Original
60	Original
61	Original
62	Original
63	Original
64	Original
65	Original
66	Original
67	Original
68	Original
69	Original
70	Original
71	Original
72	Original
73	Original
74	Original
75	Original
76	Original

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

CHECK SHEET (CONT'D)

<u>Page</u>	<u>Revision</u>
77	Original
78	Original
79	Original
79.1	Original
80	Original
81	Original
82	Original
83	Original
84	Original
85	Original
86	Original
87	Original
88	Original
89	Original
90	Original
91	Original
92	Original
93	Original
94	Original
95	Original
96	Original
97	Original

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

TABLE OF CONTENTS

	Page Number
TITLE PAGE	TITLE
CHECK SHEET	1
TABLE OF CONTENTS	5
EXPLANATION OF SYMBOLS	7
APPLICATION OF TARIFF	8
1. DEFINITIONS	9
2. REGULATIONS	15
2.1 Undertaking of the Company	15
2.1.1 Scope	15
2.1.2 Shortage of Equipment or Facilities	15
2.1.3 Terms and Conditions	16
2.1.4 Liability of the Company	19
2.1.5 Notification of Service-Affecting Activities	31
2.1.6 Provision of Equipment & Facilities	31
2.1.7 Non-routine Installation	33
2.1.8 Ownership of Facilities	33
2.2 Prohibited Uses	33
2.3 Obligations of the Customer	34
2.3.1 General	34
2.3.2 Claims	37
2.4 Customer Equipment and Channels	38
2.4.1 General	38
2.4.2 Station Equipment	38
2.4.3 Interconnection of Facilities	40
2.4.4 Inspections	41
2.5 Payment Arrangements	42
2.5.1 Payment for Service	42
2.5.2 Billing and Collection of Charges	44
2.5.3 Disputed Bills	45
2.5.4 Advance Payments	45
2.5.5 Deposits	46
2.5.6 Discontinuance of Service	49

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

TABLE OF CONTENTS (Cont.)

	Page Number
2. REGULATIONS (Cont'd)	
2.6 Allowances for Interruptions in Service	55
2.6.1 Credit for Interruptions	55
2.6.2 Limitations on Allowances	56
2.6.3 Use of Alternative Service Provided by the Company	57
2.7 Cancellation of Service	58
2.7.1 Cancellation of Application for Service	58
2.7.2 Cancellation of Service by the Customer	59
2.8 Transfers and Assignments	59
2.9 Notices and Communications	60
3. SERVICE DESCRIPTIONS	61
3.1 Local Exchange Service	61
3.1.1 Service Area	61
3.1.2 Local Line	64
3.1.3 Local Trunk	68
3.1.2.1 Local Trunk-Basic	69
3.1.2.2 Local Trunk DID	72
3.1.2.3 Local Trunk Digital Interface	76
3.1.4 Usage Rates	80
3.1.5 Residential Service	81
3.2 Directory Assistance	82
3.3 Operator Assistance	83
3.3.1 Operator Assisted Surcharges	84
3.3.2 Busy Line Verification and Interrupt Service	84
3.4 Directory Listings	86
3.5 Emergency Services (Enhanced 911)	90
3.7 Vanity Telephone Numbers	91
3.8 Telecommunication Relay Service (TRS)	91
3.9 Term Plans	91
4. Promotional Offerings	92
5. Individual Case Basis (ICB) Arrangements	97

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

EXPLANATION OF SYMBOLS, REFERENCE MARKS, AND ABBREVIATIONS OF
TECHNICAL TERMS USED IN THIS TARIFF

The following symbols shall be used in this tariff for the purpose indicated below:

- | | | |
|---|---|--|
| C | - | To signify changed regulation. |
| D | - | To signify discontinued rate or regulation. |
| I | - | To signify increased rate. |
| M | - | To signify a move in the location of text. |
| N | - | To signify new rate or regulation. |
| R | - | To signify reduced rate. |
| S | - | To signify reissued matter. |
| T | - | To signify a change in text but no change in rate or regulation. |

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

APPLICATION OF TARIFF

This tariff sets forth the service offerings, rates, terms and conditions applicable to the furnishing of intrastate communications services by MCImetro Access Transmission Services, Inc., to Customers within the local exchange service area defined herein.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

1. Definitions

Certain terms used generally throughout this tariff are defined below.

Account Codes: Allows a User to allocate local calls to a 4-digit, non-verified account code.

Advance Payment: Payment of all or part of a charge required before the start of service.

Authorized User: A person, firm, corporation or other entity that either is authorized by the Customer to use local exchange telephone service or is placed in a position by the Customer, either through acts or omissions, to use local exchange telephone service.

Automatic Dial: This feature allows a Meridian Business Set customer to call a frequently dialed number by depressing the assigned feature key. The number is user programmable and can be up to 24-digits in length. The 24 digit number can include an access code, feature access code, telephone number and authorization code.

Call Forward Busy: Automatically routes incoming calls to a designated answering point when the called line is busy.

Call Forward No Answer: Automatically routes incoming calls to a designated answering point when the called line does not answer within a pre-specified number of rings.

Call Forward Variable: Automatically routes incoming calls to a designated answering point, regardless of whether the user's Station is idle or busy.

Call Hold: Allows the User to hold one call for any length of time provided that neither party goes On Hook.

Call Park: Allows a User to "park" a call against their directory number within the business group and "unpark" the call from any other directory number. A business group consists of a series of Customer-defined telephone numbers.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

1. Definitions (Cont'd)

Call Pickup: Allows a User to answer incoming calls to another Station line within a defined call pickup group. Call Pickup is provided as either Group Call Pickup, where predesignated groups can pickup each other's calls by activating an access code or a feature key, or Directed Call Pickup, where any call can be retrieved by dialing a different access code followed by the extension number.

Call Transfer/Consultation/Conference: Provides the capability to transfer or add a third party, using the same line.

Call Waiting: Provides the User with a burst of tone to indicate that another call is waiting. The second call can either be answered by flashing the switchhook or hanging up the phone and being rung back by the caller.

Call Waiting Cancel: Allows a User to cancel the Call Waiting feature on a per call basis by dialing a specific two digit code.

Calling Number Delivery: Identifies the 10-digit number of the calling party.

Calling Number Delivery Blocking: Blocks the delivery of the number to the called party on a per call basis.

Class of Service (COS): Used to prevent a Station from dialing certain codes and numbers.

Company: MCImetro Access Transmission Services, Inc., a Delaware Corporation, which is the issuer of this tariff.

Conference/Six-Way: The User can sequentially call up to five other people and add them together to make up a six-way call.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

1. Definitions (Cont'd)

Customer: The person, firm, corporation or other entity which orders service and is responsible for the payment of charges and for compliance with the Company's tariff regulations.

Customer Group Dialing Plan: A dialing scheme shared by the members of a Customer group, such as 4 digit internal dialing.

Dial Pulse (DP): The pulse type employed by rotary dial Station sets.

Direct Inward Dialing (DID): A service attribute that routes incoming calls directly to Stations, bypassing a central answering point.

Do Not Disturb: Allows the User to prevent incoming calls from ringing its line by diverting them to a tone or a recorded announcement that informs the caller that the User is not accepting calls at this time.

Dual Tone Multi-Frequency ("DTMF"): The pulse type employed by tone dial Station sets.

Exchange Carrier: Any individual, partnership, association, joint-stock company, trust, governmental entity or corporation engaged in the provision of local exchange telephone service.

Group Intercom: Using Group Intercom, the user can direct an Intercom call to any member of a predesignated group. The group can consist of a mixture of Meridian Business Set's. The group can be up to 10 members (with single digit member number 0-9) or up to 100 members (with two digit member numbers 00-99).

Hunting: Routes a call to an idle Station line. With Serial Hunting, calls to a member of a hunt group will search from that point to the end of the group and stop.

Individual Case Basis: A service arrangement in which the regulations, rates and charges are developed based on the specific circumstances of the Customer's situation.

Intercom: This feature allows a station user to terminate a call on a predesignated set by depressing the ICM key on the Meridian Business Set.

Interim Local Number Portability (ILNP): An optional feature of facilities based services which allows the customer to keep its existing telephone number. ILNP is accomplished via Remote Call Forwarding (RCF). Charges will apply per telephone number.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

1. Definitions (Cont'd)

Joint User: A person, firm or corporation designated by the Customer as a user of local exchange service furnished to the Customer by the Company, and to whom a portion of the charges for such facilities are billed under a joint use arrangement.

Key Short Hunt: Key Short Hunt provides the capability to hunt for an available line on a Meridian Business Set by starting with the number dialed and hunting upwards. The hunt stops once the Local Line at the top of the Meridian Business Set is checked for availability.

Last Number Redial: The Last Number Redial allows a Meridian Business Set user to redial the last called number by depressing a single key [#]. Last Number Redial can be assigned to each Telephone Number appearing on a Meridian Business Set.

LATA: A local access and transport area established pursuant to the Modification of Final Judgment entered by the United States District Court for the District of Columbia in Civil Action No. 82-0192 for the provision and administration of communications services.

Least Idle Trunk Selection (LIDL): LIDL trunk selection occurs when a switching unit selects from a Trunk group the Trunk that has been idle for the shortest period of time.

Local Calling: A completed call or telephonic communication between a calling Station and any other Station within the local service area of the calling Station.

Local Exchange Carrier: A company which furnishes exchange telephone service.

Mbps: Megabits, or millions of Bits, per second.

Message Waiting: This feature provides an indication to a Station User that a message is waiting. Indications may be visual (lamp) or audible (stuttered dialtone).

Most Idle Trunk Selection (MIDL): MIDL Trunk selection occurs when a switching unit selects from a Trunk group the Trunk that has been idle for the longest period of time.

Multiple Appearance Directory Numbers: A directory number that is assigned more than once to one or more Proprietary Business Sets.

Multi-Frequency ("MF"): An inter-machine pulse-type used for signaling between telephone switches, or between telephone switches and PBX/key systems.

Filed:

Randee Kindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

1. Definitions (Cont'd)

Non-Recurring Charges: The one-time initial charges for services or facilities, including but not limited to charges for construction, installation, or special fees, for which the Customer becomes liable at the time the Service Order is executed.

Off Hook: The term "off hook" denotes the active condition of a telephone exchange service line.

On Hook: The term "on-hook" denotes the idle condition of a telephone exchange service line.

Presubscription - 2: An arrangement whereby a Customer may select and designate to the Company an Exchange Carrier it wishes to access, without an access code, for completing intraLATA toll calls. The selected Exchange Carrier is referred to as the End User's Primary Interexchange Carrier (PIC-2).

Privacy Release: All other extensions of a line are unable to enter a conversation in progress unless the initiating telephone releases the feature.

Query Time and Date (QTD): The M5209 and M5312 Meridian Business Set's have a 48 character alphanumeric LCD. The display provides the customer with the time and date when the QTD key is pressed.

Recurring Charges: The monthly charges to the Customer for services, facilities and equipment, which continue for the agreed upon duration of the service.

Remote Call Forwarding (RCF): Remote Call Forwarding allows a facilities based Local Service Customer to retain its existing Local Exchange Carrier telephone number by using this feature to port its telephone number to MCI Local Service. A number of paths can be associated with this number to permit multiple simultaneous calls to be received. A maximum of 99 paths can be associated with a single ported number.

Service Commencement Date: The first day following the date on which the Company notifies the Customer that the requested service or facility is available for use, unless extended by the Customer's refusal to accept service which does not conform to standards set forth in the Service Order or this tariff, in which case the Service Commencement Date is the date of the Customer's acceptance of service. The parties may mutually agree on a substitute Service Commencement Date.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

1. Definitions (Cont'd)

Service Order: The written request for local exchange services executed by the Customer and the Company in a format specified by the Company. The signing of a Service Order by the Customer and acceptance thereof by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this tariff, but the duration of the service is calculated from the Service Commencement Date.

Services: The Company's telecommunications services offered on the Company's network.

Shared Facilities: A facility or equipment system or subsystem which can be used simultaneously by several Customers.

Speed Call: Provides a User with the option to call selected directory numbers by dialing a one or two-digit code.

Station: Telephone equipment from or to which calls are placed.

Trunk: A communications path connecting two switching systems in a network, used in the establishment of an end-to-end connection.

User: A Customer or any other person authorized by the Customer to use service provided under this tariff.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations

2.1 Undertaking of the Company

2.1.1 Scope

The Company undertakes to furnish communications service in connection with one-way and/or two-way information transmission between points within the State of South Dakota under the terms of this tariff.

Customers may use services and facilities provided under this tariff to obtain access to services offered by other service providers. The Company is responsible under this tariff only for the services and facilities provided herein, and it assumes no responsibility for any service provided by any other entity that purchases access to the Company network in order to originate or terminate its own services, or to communicate with its own customers.

2.1.2 Shortage of Equipment of Facilities

2.1.2.1 The Company reserves the right to limit or allocate the use of existing facilities, or of additional facilities offered by the Company when necessary because of lack of facilities or due to some other cause beyond the Company's control.

2.1.2.2 The furnishing of service under this tariff is subject to the availability on a continuing basis of all the necessary facilities and is limited to the capacity of the Company's fiber optic cable facilities as well as facilities the Company may obtain from other carriers, from time to time, to furnish service as required at the sole discretion of the Company.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.3 Terms and Conditions

- ***
- 2.1.3.1 Except as otherwise provided herein, service is provided and billed on the basis of a minimum period of at least one month, and shall continue to be provided until canceled by the Customer, in writing, on not less than 30 days notice. Unless otherwise specified herein, for the purpose of computing charges in this tariff, a month is considered to have 30 days. All calculations of dates set forth in this tariff shall be based on calendar days, unless otherwise specified herein.
- 2.1.3.2 Customers may be required to enter into written Service Orders which shall contain or reference the name of the Customer, a specific description of the service ordered, the rates to be charged, the duration of the services, and the terms and conditions in this tariff.
- 2.1.3.3 At the expiration of the initial term specified in each Service Order, or in any extension thereof, service shall continue on a month to month basis at the then current rates unless terminated by either party upon 30 days written notice. Any termination shall not relieve Customer of its obligation to pay any charges incurred under the Service Order and this tariff prior to termination. The rights and obligations which by their nature extend beyond the termination of the term of the Service Order shall survive such termination.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.3 Terms and Conditions (Cont'd)

- 2.1.3.4 This tariff shall be interpreted and governed by the laws of the State of South Dakota.
- 2.1.3.5 Another telephone company must not interfere with the right of any person or entity to obtain service directly from the Company.
- 2.1.3.6 The Customer has no property right to the telephone number or any other call number designation associated with services furnished by the Company. The Company reserves the right to change such numbers, or the central office designation associated with such numbers, or both, assigned to the Customer, whenever the Company deems it necessary to do so in the conduct of its business.
- 2.1.3.7 The Customer agrees to operate Company provided equipment in accordance with instructions of the Company or the Company's agent. Failure to do so will void Company liability for interruption of service and may make the Customer responsible for damage to equipment pursuant to section 2.1.3.8 below.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.3 Terms and Conditions (Cont'd)

2.1.3.8

The 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.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.4 Liability of the Company

2.1.4.1

The liability of the Company for damages arising out of the furnishing of its services, including but not limited to mistakes, omissions, interruptions, delays, or errors, other defects, or representations by the Company, or use of these services or damages arising out of the failure to furnish the service whether caused by acts or omission, shall be limited to the extension of allowances for interruption as set forth in Section 2.6, below. The extension of such allowances for interruption shall be the sole remedy of the Customer and the sole liability of the Company. The Company will not be liable for any direct, indirect, incidental, special, consequential, exemplary or punitive damages to Customer as a result of any Company service, equipment or facilities, or the acts or omissions or negligence of the Company's employees or agents.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.4 Liability of the Company (Cont'd)

2.1.4.2

The Company's liability for willful misconduct, if established as a result of judicial or administrative proceedings, is not limited by this tariff. The Company's liability, if any, with regard to delayed installation of Company facilities or commencement of service, shall not exceed \$1,000. With respect to any other claim or suit, by a Customer or by any others, for damages associated with the ordering (including the reservation of any specific number for use with a service), installation (including delays thereof), provision, termination, maintenance, repair, interruption or restoration of any service or facilities offered under this tariff, and subject to the provisions of Section 2.6, the Company's liability, if any, shall be limited as provided herein.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.4 Liability of the Company (Cont'd)

- 2.1.4.3 The Company shall not be liable for any delay or failure of performance or equipment due to causes beyond its control, including but not limited to: acts of God, fire, flood, explosion or other catastrophes; any law, order, regulation, direction, action or request of the United States government or of any other government, including state and local governments having or claiming jurisdiction over the Company, or of any department, agency, commission, bureau, corporation or other instrumentality of any one or more of these federal, state, or local governments, or of any military authority; preemption of existing service in compliance with national emergencies; insurrections; riots; wars; unavailability of rights-of-way or materials, or strikes, lockouts, work stoppages, or other labor difficulties.
- 2.1.4.4 The Company shall not be liable for: (a) any act or omission of any entity furnishing the Company or the Company's Customers facilities or equipment used for or with the services the Company offers; or (b) for the acts or omissions of other common carriers or warehousemen.
- 2.1.4.5 The Company shall not be liable for any damages or losses due to the fault or negligence of the Customer or due to the failure or malfunction of Customer-provided equipment or facilities.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.4 Liability of the Company (Cont'd)

2.1.4.6

The Customer shall indemnify and hold the Company harmless from any and all loss, claims, demands, suits or other action, or any liability whatsoever, whether suffered, made, instituted, or asserted by any other party or person(s), and for any loss, damage, or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, removal, condition, location or use of any installat on provided by the Company. The Company reserves the right to require each Customer to sign an agreement acknowledging acceptance of the provisions of this section as a condition precedent to such installations.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.4 Liability of the Company (Cont'd)

2.1.4.7 The Company shall not be liable for any defacement of or damage to Customer premises resulting from the furnishing of services or equipment on such premises or the installation or removal thereof, unless such defacement or damage is caused by gross negligence or willful misconduct of the Company's agents or employees. No agents or employees of other participating carriers shall be deemed to be agents or employees of the Company.

2.1.4.8 Notwithstanding the Customer's obligations as set forth in Section 2.3.2, the Company shall be indemnified, defended, and held harmless by the Customer or by others authorized by it to use the service against any claim, loss or damage arising from Customer's use of services furnished under this tariff, including:
-claims for libel, slander, invasion of privacy or infringement of copyright arising from the material, data, information, or other content transmitted via the Company's service; and
-patent infringement claims arising from combining or connecting the service offered by the Company with apparatus and systems of the Customer or others
-all other claims arising out of any act or omission of the Customer or others, in connection with any service provided by the Company pursuant to this tariff.

Filed:

Randee Kindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.4 Liability of the Company (Cont'd)

2.1.4.9 The entire liability of the Company for any claim, loss, damage or expense from any cause whatsoever shall in no event exceed sums actually paid to the Company by the Customer for the specific services giving rise to the claim, and no action or proceeding against the Company shall be commenced more than one year after the service is rendered.

2.1.4.10 The Company makes no warranties or representations, express or implied, including warranties of merchantability or fitness for a particular use, except those expressly set forth herein.

2.1.4.11 The Company shall not be liable for any act or omission of any other company or companies furnishing a portion of the service, or for damages associated with service, channels, or equipment which it does not furnish, or for damages which result from the operation of Customer provided systems, equipment, facilities or services which are interconnected with Company services.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.4 Liability of the Company (Cont'd)

2.1.4.12

The Company does not guarantee nor make any warranty with respect to service installations at locations at which there is present an atmosphere that is explosive, prone to fire, dangerous or otherwise unsuitable for such installations. The Customer shall indemnify and hold the Company harmless from any and all loss, claims, demands, suits or other action, or any liability whatsoever, whether suffered, made, instituted or asserted by the Customer or by any other party, for any personal injury to, or death of, any person or persons, or for any loss, damage or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused, directly or indirectly, by the installation, operation, failure to operate, maintenance, removal, presence, condition, locations or use of service furnished by the Company at such locations.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.4 Liability of the Company (Cont'd)

2.1.4.13

The Company shall not be liable for the Customer's failure to fulfill its obligations to take all necessary steps including, without limitation, obtaining, installing and maintaining all necessary equipment, materials and supplies, for interconnecting the terminal equipment or communications system of the Customer, or any third party acting as its agent, to the Company's network. The Customer shall secure all licenses, permits, rights-of-way, and other arrangements necessary for such interconnection. In addition, the Customer shall ensure that its equipment and/or system or that of its agent is properly interfaced with the Company's service, that the signals emitted into the Company's network are of the proper mode, band width, power, data speed, and signal level for the intended use of the Customer and in compliance with the criteria set forth in Section 2.1.6 following, and that the signals do not damage Company equipment, injure its personnel or degrade service to other Customers. If the Customer or its agent fails to maintain and operate its equipment and/or system or that of its agent properly, with resulting imminent harm to Company equipment, personnel, or the quality of service to other Customers, the Company may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, the company may, upon written notice, terminate the Customer's service without liability.

Filed:

Randee Kindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.4 Liability of the Company (Cont'd)

2.1.4.14 With respect to Emergency Number 911 Service:

- (a) This service is offered solely as an aid in handling assistance calls in connection with fire, police and other emergencies. The Company is not responsible for any losses, claims, demands, suits or any liability whatsoever, whether suffered, made, instituted or asserted by the Customer or by any other party or person for any personal injury to or death of any person or persons, and for any loss, damage or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused by: (1) mistakes, omissions, interruptions, delays, errors or other defects in the provision of this service, or (2) installation, operation, failure to operate, maintenance, removal, presence, condition, location or use of any equipment and facilities furnishing this service.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.4 Liability of the Company (Cont'd)

2.1.4.14 (Cont'd)

- (b) Neither is the Company responsible for any infringement or invasion of the right of privacy of any person or persons, caused or claimed to have been caused, directly or indirectly, by the installation, operation, failure to operate, maintenance, removal, presence, condition, occasion or use of emergency 911 service features and the equipment associated therewith, or by any services furnished by the Company including, but not limited to, the identification of the telephone number, address or name associated with the telephone used by the party or parties accessing emergency 911 service, and which arise out of the negligence or other wrongful act of the Company, the Customer, its Users, agencies or municipalities, or the employees or agents of any one of them.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.4 Liability of the Company (Cont'd)

- 2.1.4.15 The Company's liability arising from errors or omissions in Directory Listings, other than charged listings, shall be limited to the amount of actual impairment to the Customer's service and in no event shall exceed one half the amount of the fixed monthly charges applicable to exchange service affected during the period covered by the directory in which the error or omission occurs. In cases of charged Directory Listings, the liability of the Company shall be limited to an amount not exceeding the amount of charges for the charged listings involved during the period covered by the directory in which the error or omission occurs.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.4 Liability of the Company (Cont'd)

- 2.1.4.16 In conjunction with a nonpublished telephone number, as described in Section 3.4.5.3, the Company will not be liable for failure or refusal to complete any call to such telephone when the call is not placed by number. The Company will try to prevent the disclosure of the number of such telephone, but will not be liable should such number be divulged.
- 2.1.4.17 When a Customer with a nonpublished telephone number, as defined herein, places a call to the Emergency 911 Service, the Company will release the name and address of the calling party, where such information can be determined, to the appropriate local governmental authority responsible for the Emergency 911 Service upon request of such governmental authority. By subscribing to service under this tariff, Customer acknowledges and agrees with the release of information as described above.
- 2.1.4.18 In conjunction with the Busy Line Verification and Interrupt Service as described in Section 3.3.2, the Customer shall indemnify and save the Company harmless against all claims that may arise from either party to the interrupted call or any person.

Filed:

Randee Kindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.5 Notification of Service Affecting Activities

The Company will provide the Customer reasonable notification of service-affecting activities that may occur in normal operation of its business. Such activities may include, but are not limited to, equipment or facilities additions, removals or rearrangements and routine preventive maintenance. Generally, such activities are not specific to an individual Customer but affect many Customers' services. No specific advance notification period is applicable to all service activities. The Company will work cooperatively with the Customer to determine the reasonable notifications requirements. With some emergency or unplanned service-affecting conditions, such as outage resulting from cable damage, notification to the Customer may not be possible.

2.1.6 Provision of Equipment and Facilities

2.1.6.1 The Company shall use reasonable efforts to make available services to a Customer on or before a particular date, subject to the provisions of and compliance by the Customer with, the regulations contained in this tariff. The Company does not guarantee availability by any such date and shall not be liable for any delays in commencing service to any Customer.

2.1.6.2 The Company shall use reasonable efforts to maintain facilities that it furnishes to the Customer. The Customer may not, nor may the Customer permit others to, rearrange, disconnect, remove, attempt to repair or otherwise interfere with any of the facilities installed by the Company, except upon the written consent of the Company.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.6 Provision of Equipment and Facilities (Cont'd)

- 2.1.6.3 Equipment installed at the Customer Premises for use in connections with the services the Company offers shall not be used for any purpose other than that for which the Company has provided it.
- 2.1.6.4 The Company shall not be responsible for the installation, operation, or maintenance of any Customer provided communications equipment. Where such equipment is connected to the facilities furnished pursuant to this tariff, the responsibility of the Company shall be limited to the furnishing of facilities offered under this tariff and to the maintenance and operation of such facilities. Beyond this responsibility, the Company shall not be responsible for:
- (a) the transmission of signals by Customer provided equipment or for the quality of, or defects in, such transmission; or
 - (b) the reception of signals by Customer provided equipment; or
 - (c) network control signaling where such signaling is performed by Customer provided network control signaling equipment.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.7 Non-routine Installation

At the Customer's request, installation and/or maintenance may be performed outside the Company's regular business hours or in hazardous locations. In such cases, charges based on cost of the actual labor, material, or other costs incurred by or charged to the Company will apply. If installation is started during regular business hours but, at the Customer's request, extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply.

2.1.8 Ownership of Facilities

Title to all facilities provided in accordance with this tariff remains in the Company, its agents or contractors.

2.2 Prohibited Uses

2.2.1 The services the Company offers shall not be used for any unlawful purpose or for any use as to which the Customer has not obtained all required governmental approvals, authorizations, licenses, consents and permits.

2.2.2 The Company may require a Customer to immediately shut down its transmission of signals if said transmission is causing interference to others.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.3 Obligations of the Customer

2.3.1 General

The Customer shall be responsible for:

- (a) the payment of all applicable charges pursuant to this tariff;
- (b) reimbursing the Company for damage to, or loss of, the Company's facilities or equipment caused by the acts or omissions of the Customer; or the noncompliance by the Customer, with these regulations; or by fire or theft or other casualty on the Customer's premises, unless caused by the negligence or willful misconduct of the employees or agents of the Company. The Company will, upon reimbursement for damages, cooperate with the Customer in prosecuting a claim against the person causing such damage and the Customer shall be subrogated to the Company's right of recovery of damages to the extent of such payment.
- (c) providing at no charge, as specified from time to time by the Company, any needed personnel, equipment, space and power to operate Company facilities and equipment installed on the premises of the Customer, and the level of heating and air conditioning necessary to maintain the proper operating environment on such premises;

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.3 Obligations of the Customer.

2.3.1 General

- (d) obtaining, maintaining, and otherwise having full responsibility for all rights-of-way and conduit necessary for installation of fiber optic cable and associated equipment used to provide local exchange service to the Customer from the cable building entrance or property line to the location of the equipment space described in 2.3.1(c). Any costs associated with obtaining and maintaining the rights-of-way described herein, including the costs of altering the structure to permit installation of the Company-provided facilities, shall be borne entirely by, or may be charged by the Company to, the Customer. The Company may require the Customer to demonstrate its compliance with this section prior to accepting an order for service;
- (e) providing a safe place to work and complying with all laws and regulations regarding the working conditions on the premises at which Company employees and agents shall be installing or maintaining the Company's facilities and equipment. The Customer may be required to install and maintain Company facilities and equipment within a hazardous area if, in the Company's opinion, injury or damage to the Company's employees or property might result from installation or maintenance by the Company. The Customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material (e.g. friable asbestos) prior to any construction or installation work;

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.3 Obligations of the Customer (Cont'd)

2.3.1 General (Cont'd)

- (f) complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as may be required with respect to, the location of Company facilities and equipment in any Customer premises or the rights of way for which Customer is responsible under Section 2.3.1(d) above; and granting or obtaining permission for Company agents or employees to enter the premises of the Customer at any time for the purpose of installing, inspecting, maintaining, repairing, or upon termination of service as stated herein, removing the facilities or equipment of the Company;
- (g) not creating or allowing to be placed or maintained any liens or other encumbrances on the Company's equipment or facilities; and
- (h) making Company facilities and equipment available periodically for maintenance purposes at a time agreeable to both the Company and the Customer. No allowance for interruptions in service will be made for the period during which service is interrupted for such purposes.

2. Regulations (Cont'd)

2.3 Obligations of the Customer (Cont'd)

2.3.2 Claims

With respect to any service or facility provided by the Company, Customer shall indemnify, defend and hold harmless the Company from all claims, actions, damages, liabilities, costs and expenses, including reasonable attorneys' fees for:

- (a) any loss, destruction or damage to property of the Company or any third party, or the death of or injury to persons, including, but not limited to, employees or invitees of either the Company or the Customer, to the extent caused by or resulting from the negligent or intentional act or omission of the Customer, its employees, agents, representatives or invitees; or
- (b) any claim, loss, damage, expense or liability for infringement of any copyright, patent, trade secret, or any proprietary or intellectual property right of any third party, arising from any act or omission by the Customer, including, without limitation, use of the Company's services and facilities in a manner not contemplated by the agreement between the Customer and the Company.

Filed:

Randee Kindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.4 Customer Equipment and Channels

2.4.1 General

A Customer may transmit or receive information or signals via the facilities of the Company.

2.4.2 Station Equipment

2.4.2.1 The Customer is responsible for providing and maintaining any terminal equipment on the Customer premises. The electric power consumed by such equipment shall be provided by, and maintained at the expense of, the Customer. All such terminal equipment must be registered with the FCC under 47 C.F.R., Part 68 and all wiring must be installed and maintained in compliance with those regulations. The Company will, where practicable, notify the Customer that temporary discontinuance of the use of a service may be required; however, where prior notice is not practicable, nothing contained herein shall be deemed to impair the Company's right to discontinue forthwith the use of a service temporarily if such action is reasonable under the circumstances. In case of such temporary discontinuance, the Customer will be promptly notified and afforded the opportunity to correct the condition which gave rise to the temporary discontinuance. During such period of temporary discontinuance, credit allowance for service interruptions as set forth in Section 2.6 following is not applicable.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.4 Customer Equipment and Channels (Cont'd)

2.4.2 Station Equipment (Cont'd)

- 2.4.2.2 The Customer is responsible for ensuring that Customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The magnitude and character of the voltages and currents impressed on Company-provided equipment and wiring by the connection, operation, or maintenance of such equipment and wiring shall be such as not to cause damage to the Company-provided equipment and wiring or injury to the Company's employees or other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the Customer's expense.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.4 Customer Equipment and Channels (Cont'd)

2.4.3 Interconnection of Facilities

- 2.4.3.1 Any special interface equipment necessary to achieve compatibility between the facilities and equipment of the Company used for furnishing local exchange service and the channels, facilities, or equipment of others may be provided at the Customer's expense.
- 2.4.3.2 Local Services may be connected to the services or facilities of other communications carriers only when authorized by, and in accordance with, the terms and conditions of the tariffs of the other communications carriers which are applicable to such connections.
- 2.4.3.3 Facilities furnished under this tariff may be connected to Customer provided terminal equipment in accordance with the provisions of this tariff.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.4 Customer Equipment and Channels (Cont'd)

2.4.4 Inspections

- 2.4.4.1 Upon reasonable notification to the Customer, and at a reasonable time, the Company may make such tests and inspections as may be necessary to determine that the Customer is complying with the requirements set forth in Section 2.4.2.2 for the installation, operation, and maintenance of Customer provided facilities and equipment to Company-owned facilities and equipment. No credit will be allowed for any interruptions occurring during such inspections.
- 2.4.4.2 If the protective requirements for Customer-provided equipment are not being complied with, the Company may take such action as it deems necessary to protect its facilities, equipment, and personnel. The Company will notify the Customer promptly if there is any need for further corrective action. Within ten days of receiving this notice the Customer must take this corrective action and notify the Company of the action taken. If the Customer fails to do this, the Company may take whatever additional action is deemed necessary, including the suspension of service, to protect its facilities, equipment and personnel from harm. The Company will, upon request 24 hours in advance, provide the Customer with a statement of technical parameters that the Customer's equipment must meet.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.5 Payment Arrangements

2.5.1 Payment for Service

The Customer is responsible for payment of all charges for service and facilities furnished by the Company to the Customer or its Joint or Authorized Users. Objections must be received by the Company within 30 days after statement of account is rendered, or the charges shall be deemed correct and binding upon the Customer. If an entity other than the Company imposes charges on the Company, in addition to its own internal costs, in connection with a service for which a Company Non-Recurring Charge is specified, those charges may be passed on to the Customer.

2.5.1.1 Taxes: The Customer is responsible for the payment of any sales, use, gross receipts, excise, access or other local, state and federal taxes, charges or surcharges (however designated) excluding taxes on the Company's net income imposed on or based upon the provision of Local Exchange Service, all of which shall be separately designated on the Company's invoices. Any taxes imposed by a local jurisdiction (e.g., County and municipal taxes) will only be recovered from those Customers residing in the affected jurisdictions. It shall be the responsibility of the Customer to pay any such taxes that subsequently become applicable retroactively.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.5 Payment Arrangements (Cont'd)

2.5.1 Payment for Service (Cont'd)

2.5.1.2

A surcharge is imposed on all charges for service originating at addresses in states which levy, or assert a claim of right to levy, a gross receipts tax on the Company's operations in any such state, or a tax on interstate access charges incurred by the Company for originating access to telephone exchanges in that state.¹ This surcharge is based on the particular state's receipts tax and other state taxes imposed directly or indirectly upon the Company by virtue of, and measured by, the gross receipts or revenues of the Company in that state and/or payment of interstate access charges in that state. The surcharge will be shown as a separate line item on the Customer's monthly invoice.

¹ Pending the conclusion of any challenge to a jurisdiction's right to impose a gross receipts tax, the Company may elect to impose and collect a surcharge covering such taxes, unless otherwise constrained by court order or direction, or it may elect not to impose and collect the surcharge. If it has collected a surcharge and the challenged tax is found to have been invalid and unenforceable, the Company will credit or refund such amounts to affected Customers (less its reasonable administrative costs), if the funds collected were retained by the Company or if they were delivered over to the taxing jurisdiction and returned to the Company.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.5 Payment Arrangements (Cont'd)

2.5.2 Billing and Collection of Charges

Bills will be rendered monthly to Customer.

- 2.5.2.1 All service, installation, monthly Recurring Charges and Non-Recurring Charges are due and payable upon receipt.
- 2.5.2.2 The Company shall present bills for Recurring Charges monthly to the Customer, in advance of the month which service is provided.
- 2.5.2.3 For new customers or existing customers whose service is disconnected, the charge for the fraction of the month in which service was furnished will be calculated on a pro rata basis. For this purpose, every month is considered to have 30 days.
- 2.5.2.4 Amounts not paid within 30 days after the date of invoice are considered past due.
- 2.5.2.5 A \$15.00 charge will be assessed for checks with insufficient funds or non-existing accounts.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.5 Payment Arrangements (Cont'd)

2.5.3 Disputed Bills

The Customer shall notify the Company of any disputed items on a bill within 30 days of receipt of the bill. If the Customer and the Company are unable to resolve the dispute to their mutual satisfaction, the Customer may file a complaint with the South Dakota Public Utilities Commission in accordance with the Commission's rules of procedure.

2.5.3.1 The date of the dispute shall be the date the Company receives sufficient documentation to enable it to investigate the dispute.

The date of the resolution is the date the Company completes its investigation and notifies the Customer of the disposition of the dispute.

2.5.4 Advance Payments

To safeguard its interests, the Company may require a Customer to make an Advance Payment before services and facilities are furnished. The Advance Payment will not exceed an amount equal to the Non-Recurring Charge(s) and one month's charges for the service or facility. In addition, where special construction is involved, the Advance Payment may also include an amount equal to the estimated Non-Recurring Charges for the special construction and Recurring Charges (if any) for a period to be set between the Company and the Customer. The Advance Payment will be credited to the Customer's initial bill. An Advance Payment may be required in addition to a deposit.

2. Regulations (Cont'd)

2.5 Payment Arrangements (Cont'd)

2.5.5 Deposits

2.5.5.1

Applicants for service or existing Customer's whose financial condition is not acceptable to the Company, or is not a matter of general knowledge, may be required at any time to provide the Company a security deposit. The deposit requested will be in cash or the equivalent of cash, and will be held as a guarantee for the payment of charges. A deposit does not relieve the Customer of the responsibility for the prompt payment of bills on presentation.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.5 Payment Arrangements (Cont'd)

2.5.5 Deposits (Cont'd)

2.5.5.1 The deposit will not exceed an amount equal to:

- (a) two month's charges for a service or facility which has a minimum payment period of one month; or
- (b) the charges that would apply for the minimum payment period for a service or facility which has a minimum payment period of more than one month; except that the deposit may include an additional amount in event that a termination charge is applicable. In addition, the Company shall be entitled to require such an applicant or Customer to pay all its bills within a specified period of time, and to make such payments in cash or the equivalent of cash. At the Company's option, such deposit may be refunded to the Customer's account at any time. Also, the Company reserves the right to cease accepting and processing Service Orders after it has requested a security deposit and prior to the Customer's compliance with this request.

2.5.5.2 A deposit may be required in addition to an advance payment.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.5 Payment Arrangements (Cont'd)

2.5.5 Deposits (Cont'd)

- 2.5.5.3 When a service or facility is discontinued, the amount of a deposit, if any, will be applied to the Customer's account and any credit balance remaining will be refunded. Before the service or facility is discontinued, the Company may, at its option, return the deposit or credit it to the Customer's account.
- 2.5.5.4 Deposits held for business customers will accrue interest at a rate equivalent to the rate paid on two-year United States Treasury notes for the preceding 12 months ending December 31 as reported in the most current Federal Reserve Bulletin monthly publication. Interest is credited to the customer annually, or upon termination of the service, or upon return of the deposit by the Company.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.5 Payment Arrangements (Cont'd)

2.5.6 Discontinuance of Service

- 2.5.6.1 Upon nonpayment of any amounts owing to the Company, the Company may, by giving requisite prior written notice to the Customer, discontinue or suspend service without incurring any liability.
- 2.5.6.2 Upon violation of any of the other material terms or conditions for furnishing service, the Company may, by giving 30 days' prior notice in writing to the Customer, discontinue or suspend service without incurring any liability if such violation continues during that period.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.5 Payment Arrangements (Cont'd)

2.5.6 Discontinuance of Service (Cont'd)

- 2.5.6.3 Upon condemnation of any material portion of the facilities used by the Company to provide service to a Customer or if a casualty renders all or any material portion of such facilities inoperable beyond feasible repair, the Company, by notice to the Customer, may discontinue or suspend service without incurring any liability.
- 2.5.6.4 Upon the Customer's insolvency, assignment for the benefit of creditors, filing for bankruptcy or reorganization, failing to discharge an involuntary petition within the time permitted by law, or abandonment of service, the Company may, with prior notice to the customer, immediately discontinue or suspend service without incurring any liability.
- 2.5.6.5 Upon any governmental prohibition, or required alteration of the services to be provided or any violation of any applicable law or regulation, the Company may immediately discontinue or suspend service without incurring any liability.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.5 Payment Arrangements (Cont'd)

2.5.6 Discontinuance of Service (Cont'd)

2.5.6.6 The Company may discontinue the furnishing of any and/or all service(s) to a Customer, without incurring any liability:

2.5.6.6.1 Immediately and without 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. The Company may discontinue service pursuant to this sub-section 2.5.6.6.1 (a-f) if:

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.5 Payment Arrangements (Cont'd)

2.5.6 Discontinuance of Service (Cont'd)

2.5.6.1 (Cont'd)

- (a) 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); or
- (b) The Customer provides false information to the Company regarding the Customer's identity, address, credit-worthiness, past or current use of common carrier communications services, or its planned use of the Company's service(s); or
- (c) The Customer has been given ten (10) day written notice by the Company of any past due amount (which remains unpaid in whole or in part) for any of the Company's other common carrier communications services to which the Customer either subscribes or had subscribed or used; or
- (d) The Customer uses, or attempts to use, service with the intent to avoid the payment, either in whole or in part, of the tariffed charges for the service by:
 - (d.1) Using or attempting to use service by rearranging, tampering with, or making connections to the Company's service not authorized by this tariff; or
 - (d.2) Using tricks, schemes, false or invalid numbers, false credit devices, electronic devices; or
 - (d.3) Any other fraudulent means or devices; or

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.5 Payment Arrangements (Cont'd)

2.5.6 Discontinuance of Service (Cont'd)

- (e) Use of service in such a manner as to interfere with the service of other users; or
- (f) Use of service for unlawful purposes.
- 2.5.6.6.2 Immediately, upon written notice to a Customer who has failed to pay any sum within 30 days of the date when payment was due;
- 2.5.6.6.3 Upon ten (10) days written notice to the Customer, after failure of the Customer to comply with a request made by the Company for security for the payment of service in accordance with Section 2.5.5; or
- 2.5.6.6.4 Ten (10) days after sending the Customer written notice of noncompliance with any provision of this tariff if the noncompliance is not corrected within that ten (10) day period; or

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.5 Payment Arrangements (Cont'd)

2.5.6 Discontinuance of Service (Cont'd)

2.5.6.7 The suspension or discontinuance of service(s) by the Company pursuant to this Section does not relieve the Customer of any obligation to pay the Company for charges due and owing for service(s) furnished during the time of or up to suspension or discontinuance.

2.5.6.8 Upon the Company's discontinuance of service to the Customer under Section 2.5.6.1 or 2.5.6.2, all applicable charges, including termination charges, shall become due. This is in addition to all other remedies that may be available to the Company at law or in equity or under any other provision of this tariff.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.6 Allowances for Interruptions of Service

- 2.6.1 Credit for Interruptions: When the use of service or facilities furnished by the Company is interrupted due to any cause other than the negligence or willful act of the Customer, or the operation or failure of the facilities or equipment provided by the Customer, a pro rata adjustment of the monthly Recurring Charges subject to interruption will be allowed for the service and facilities rendered useless and inoperative by reason of the interruption whenever said interruption continues for a period of 24 hours or more from the time the interruption is reported to or known to exist by the Company, except as otherwise specified in the Company's tariffs. If the Customer reports a service, facility or circuit to be inoperative but declines to release it for testing and repair, it is considered to be impaired, but not interrupted.

For calculating credit allowances, every month is considered to have 30 days. A credit allowance is applied on a pro rata basis against the monthly Recurring Charges specified hereunder for Local Line or Local Trunk Service and is dependent upon the length of the interruption. Only those facilities on the interrupted portion of the circuit will receive a credit. Credit allowances for service outages that exceed 24 hours in duration will be rounded up to the next whole 24 hours.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.6 Allowances for Interruptions of Service (Cont'd)

2.6.2 Limitations on Allowances

No credit allowance will be made for:

- (a) interruptions due to the negligence of, or noncompliance with the provisions of this tariff by, the Customer, Authorized User, Joint-User, or other common carrier providing service connected to the service of Company;
- (b) interruptions due to the negligence of any person other than the Company including but not limited to the Customer or other common carriers connected to the Company's facilities;
- (c) interruptions due to the failure or malfunction of non-Company equipment;
- (d) interruptions of service during any period in which the Company is not given full and free access to its facilities and equipment for the purpose of investigating and correcting interruptions;
- (e) interruptions of service during a period in which the Customer continues to use the service on an impaired basis;
- (f) interruptions of service during any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements;
- (g) interruption of service due to circumstances or causes beyond the control of the Company.

Filed:

Randee Kindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.6 Allowances for Interruptions of Service (Cont'd)

- 2.6.3 Use of Alternative Service Provided by the Company: Should the Customer elect to use an alternative service provided by the Company during the period that a service is interrupted, the Customer must pay the tariffed rates and charges for the alternative service used.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.7 Cancellation of Service

2.7.1 Cancellation of Application for Service

2.7.1.1 Applications for service are noncancellable unless the Company otherwise agrees. Where the Company permits Customer to cancel an application for service prior to the start of service or prior to any special construction, no charges will be imposed except for those specified below.

2.7.1.2 Where, prior to cancellation by the Customer, the Company incurs any expenses in installing the service or in preparing to install the service that it otherwise would not have incurred, a charge equal to the costs the Company incurred, less net salvage, shall apply, but in no case shall this charge exceed the sum of the charge for the minimum period of service ordered, including installation charges, and all charges others levy against the Company that would have been chargeable to the Customer had service begun.

2.7.1.3 The special charges described in 2.7.1.1 and 2.7.1.2 will be calculated and applied on a case by case basis.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.7 Cancellation of Service (Cont'd)

2.7.2 Cancellation of Service by the Customer

If a Customer cancels a Service Order or terminates services before the completion of the term for any reason whatsoever other than a service interruption (as defined in 2.6.1 above), Customer agrees to pay to Company the following sums which shall become due and owing as of the effective date of the cancellation or termination and be payable within the period set forth in 2.5.2, all costs, fees and expenses incurred in connection with:

- 1) all Non Recurring Charges reasonably expended by Company to establish service to Customer, plus
- 2) any disconnection, early cancellation or termination charges reasonably incurred and paid to third parties by Company on behalf of Customer, plus
- 3) all Recurring Charges specified in the applicable Service Order tariff for the balance of the then current term.

2.8 Transfer and Assignments

Neither the Company nor the Customer may assign or transfer its rights or duties in connection with the services and facilities provided by the Company without the written consent of the other party, except that the Company may assign its rights and duties (a) to any subsidiary, parent company or affiliate of the Company; (b) pursuant to any sale or transfer of substantially all the assets of the Company; or (c) pursuant to any financing, merger or reorganization of the Company.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

2. Regulations (Cont'd)

2.9 Notices and Communications

- 2.9.1 The Customer shall designate on the Service Order an address to which the Company shall mail or deliver all notices and other communications, except that Customer may also designate a separate address to which the Company's bills for service shall be mailed.
- 2.9.2 The Company shall designate on the Service Order an address to which the Customer shall mail or deliver all notices and other communications, except that Company may designate a separate address on each bill for service to which the Customer shall mail payment on that bill.
- 2.9.3 All notices or other communications required to be given pursuant to this tariff will be in writing. Notices and other communications of either party, and all bills mailed by the Company, shall be presumed to have been delivered to the other party on the third business day following deposit of the notice, communication or bill with the U.S. Mail or a private delivery service, prepaid and properly addressed, or when actually received or refused by the addressee, whichever occurs first.
- 2.9.4 The Company or the Customer shall advise the other party of any changes to the addresses designated for notices, other communications or billing, by following the procedures for giving notice set forth herein.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions

- 3.1 Local Exchange Service: The Company's Local Telephone Service provides a Customer with the ability to connect to the Company's switching network which enables the Customer to:

- place or receive calls to any calling Station in the local calling area, as defined herein;
- access basic 911 Emergency Service;
- access the interexchange carrier selected by the Customer for interLATA, intraLATA, interstate or international calling;
- access Operator Services;
- access Directory Assistance for the local calling area;
- place or receive calls to 800 telephone numbers;
- access Telephone Relay Service.

The Company's service can not be used to originate calls to other telephone companies caller paid information services (e.g., 900, 976). Calls to those numbers and other numbers used for caller paid information services will be blocked by the Company's switch.

- 3.1.1 Service Area: Where facilities are available, service areas are defined by the following NPA NXX designations:

XXX XXX
XXX XXX

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.1 Service Area: (Cont'd)

Local Calling Areas: Exchanges and zones included in the local calling area for each of the NXX designations are specified below. NXX's associated with each particular exchange or zone may be found in the telephone directory published by the dominant exchange service provider in the Customer's exchange area.

<u>NXX</u>	<u>Exchange or Zone</u>
XXX	LIST OF CITIES
XXX	LIST OF CITIES

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.1 Service Area; (Cont'd)

NXX Exchange or Zone

XXX LIST OF CITIES

XXX LIST OF CITIES

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.1 Local Exchange Service (Cont'd)

- 3.1.2 Local Line: Local Line provides the Business Customer with a single, voice-grade access line and the ability to connect to the company's switching network to complete calling within a local calling area for the transmission of two way interactive switched voice or data communication. Each Local Line will include a telephone number. Customers who order local line service may order service under one of the following calling options below:

Unlimited Option: Customers electing this option may make unlimited local calls.

Per Call Option: Customers electing this option may make local calls priced at the per call rate in section 3.1.4.2.

Per Minute Option: Customers may make local calls on a per minute basis. Usage rates as set forth in Section 3.1.4.1, apply to calls.

- 3.1.2.1 Standard Features: Each Local Line Customer is provided with the following standard features:
**[FEATURES ARE DEPENDENT ON TYPE OF
SWITCH - REVISE ACCORDINGLY]**

Account Codes
Automatic Dial¹
Call Forward Busy, No Answer and Variable
Call Hold
Call Park
Call Pickup (Group Call Pickup or Directed Call Pickup)
Call Transfer, Consultation and Conference
Call Waiting
Call Waiting Cancel
Class of Service
Conference Six-Way
Customer Group Dialing Plan
Digit Display¹
Do Not Disturb
Group Intercom¹
Intercom¹
Key Short Hunt¹

¹ These features are only available in conjunction with Customer-owned Electronic Business Sets.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.2 Local Line

3.1.2.1 Standard Features (Cont'd):

Last Number Redial¹
Message Waiting
Multiple Appearance Directory Numbers¹
Privacy Release¹
Query Time & Date¹
Serial Hunting
Speed Call

3.1.2.2 Optional Features: A Local Line Customer may order the following optional features, at the rates specified in Section 3.1.2.3.3:

Calling Number Delivery
Calling Number Delivery Blocking
Interim Local Number Portability (ILNP)

3.1.2.3 Local Line Rates and Charges: A Local Line Customer will be charged applicable Non-Recurring Charges, monthly Recurring Charges and usage charges as specified in Sections 3.1.2.3.1, 3.1.2.3.2 and 3.1.2.3.4, respectively.

¹ These features are only available in conjunction with Customer-owned Electronic Business Sets.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.2 Local Line

3.1.2.3 Local Line Rates and Charges (Cont'd):

3.1.2.3.1 Non-Recurring Charges

Line Connection Charge (per line) (per line)	\$x.xx
Account Setup (per account)	\$XX.XX
Account Changes Moves, Changes, Additions (per change)	\$XX.XX
Account Changes (per billing record change)	\$XX.XX
Line Restoral Charge (per line)	\$XX.XX

(Applies for line restoral after temporary interruption of service initiated by the Company. If service is temporarily interrupted and payment is not received within 10 days following the interruption, the Company reserves the right to discontinue service. If service is discontinued and subsequently re-established, charges apply as for a new installation of service.)

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.2 Local Line (Cont'd)

3.1.2.3 Local Line Rates and Charges (Cont'd)

3.1.2.3.1 Non-Recurring Charges

Suspension of Service	\$XX.XX
Restoral Charge	
(per trunk)	

(Applies for trunk restoral after Customer-initiated suspension.)

3.1.2.3.2	Recurring Charges	Monthly
-----------	--------------------------	----------------

Local Line - Line Charge \$X.XX
(per call option/per minute option)

Line Charge Unlimited \$XX.XX

EUCL Line Charge	\$X.XX
------------------	--------

3.1.2.3.3 Optional Features:

3.1.2.3.3.1 Non-Recurring

3.1.2.3.3.2 Monthly

Calling Number Delivery	\$X.XX
Calling Number Delivery Blocking (per call)	\$X.XX

Interim Local Number Portability (ILNP)	\$1.00
---	--------

3.1.2.3.4 Usage Rates: The rates in Section 3.1.4 will apply.

3. Service Descriptions (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.3 Local Trunk: Local Trunk(s) provide Customer with voice-grade communication channel(s) to the Customer provided wiring to the Customer's Private Branch Exchange (PBX) or Hybrid Key System. Local Trunks can be provisioned as either analog or digital and will be provided in the following manner:

3.1.3.1 Local Trunk Basic: Local Trunk - Basic can be used to carry one-way outbound traffic, one-way inbound or two-way traffic. The calling options described in Section 3.1.2 will be available to Local Trunk-Basic customers.

3.1.3.1.1 One-Way Outbound: Provides the Customer with a single analog connection which is restricted to carry outbound traffic only.

3.1.3.1.2 One-Way Inbound or Two-Way: Provides the Customer with a single analog connection which can carry one-way inbound or two-way traffic.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.3 Local Trunk (Cont'd)

3.1.3.1 Local Trunk Basic (Cont'd)

3.1.3.1.2 One-Way Inbound or Two-Way

3.1.3.1.2.1 Features: The following features are available:

Standard
Multiline Hunting
Serial Hunting
Distributed Line Hunting

Optional
Calling Number Delivery
Interim Local Number Portability (ILNP)

3.1.3.1.3 Local Trunk Basic Rates and Charges: A Local Trunk - Basic Customer will be charged applicable Non-Recurring Charges, monthly Recurring Charges and usage charges as specified in Sections 3.1.2.1.3.1, 3.1.2.1.3.2 and 3.1.2.1.3.3, respectively.

3.1.3.1.3.1 Non-Recurring Charges

Line Connection Charges
(per Trunk)

Analog	\$XX.XX
Digital	\$XX.XX

Account Setup (per account)	\$XX.XX
--------------------------------	---------

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.3 Local Trunk (Cont'd)

3.1.3.1 Local Trunk-Basic (Cont'd)

3.1.3.1.3 Local Trunk-Basic Rates and Charges (Cont'd)

3.1.3.1.3.1 Non-Recurring Charges (Cont'd)

Account Changes (Moves, Changes, Additions) (per change)	\$XX.XX
---	---------

Account Changes (Per Billing Record Change)	\$XX.XX
---	---------

Line Restoral Charge (per trunk)	\$XX.XX
-------------------------------------	---------

(Applies for trunk restoral after temporary interruption of service initiated by the Company. If service is temporarily interrupted and payment is not received within 10 days following the interruption, the Company reserves the right to discontinue service. If service is discontinued and subsequently re-established, charges apply as for a new installation of service.)

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.3 Local Trunk (Cont'd)

3.1.3.1 Local Trunk-Basic (Cont'd)

3.1.3.1.3.1 Non-Recurring Charges (Cont'd)

Suspension of Service Restoral Charge (per trunk)	\$XX.XX
---	---------

(Applies for trunk restoral after Customer-initiated suspension.)

3.1.3.1.3.2 Monthly Recurring Charges

Local Trunk - Basic Charge (Analog - per Trunk) (Per Call/Per Minute Option)	\$XX.XX
--	---------

Local Trunk - Basic Charge (Digital - per Trunk) (Per Call/Per Minute Option)	\$XX.XX
---	---------

Local Trunk - Basic Charge (Analog - per Trunk) (Unlimited Option)	\$XX.XX
--	---------

Local Trunk - Basic Charge (Digital - per Trunk) (Unlimited Option)	\$XX.XX
---	---------

3.1.3.1.3.3 Usage Rates: The rates in section 3.1.4 will apply.

3.1.3.1.3.4 Optional Features:

Monthly Calling Number Delivery	\$ X.XX
Interim Local Number Portability (ILNP)	\$1.00

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.3 Local Trunk (Cont'd)

3.1.3.2 Local Trunk - Direct Inward Dialing (DID): Provides the Customer with a single analog connection which can carry one-way, inbound traffic.

3.1.3.2.1 Direct Inward Dialing Numbers: Telephone numbers can be obtained in blocks of 20 numbers. Additional monthly charges will apply, as specified in Section 3.1.3.2.2.1.

3.1.3.2.1.1 Optional Features:
Interim Local Number Portability (ILNP)

3.1.3.2.2 Direct Inward Dialing Rates and Charges: A Customer who orders a Local Trunk - DID trunk will be charged applicable Non-Recurring Charges and monthly Recurring Charges as specified in Sections 3.1.3.2.2.1 and 3.1.3.2.2.2.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.3 Local Trunk (Cont'd)

3.1.3.2 Local Trunk - DID (Cont'd)

3.1.3.2.2 Direct Inward Dialing Rates and Charges (Cont'd)

3.1.3.2.2.1 Non-Recurring Charges (Cont'd)

Line Restoral Charge \$XX.XX
(per Trunk)

(Applies for trunk restoral after temporary interruption of service initiated by the Company. If service is temporarily interrupted and payment is not received within 10 days following the interruption, the Company reserves the right to discontinue service. If service is discontinued and subsequently re-established, charges apply as for a new installation of service.)

Suspension of Service \$XX.XX
Restoral Charge
(per trunk)

(Applies for trunk restoral after Customer-initiated suspension.)

3.1.3.2.2.1.1 Optional Features

Non-Recurring

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.3 Local Trunk (Cont'd)

3.1.3.2 Local Trunk - DID (Cont'd)

3.1.3.2.2 Direct Inward Dialing Rates and Charges (Cont'd):

3.1.3.2.2.2 Monthly Recurring Charges

Local Trunk - DID Charge
(per trunk)

Analog	\$XX.XX
Digital	\$XX.XX

DID number charge \$XX.XX
(per block of XX numbers)

Rates for a volume of Numbers
greater than 1000 will be
provided on an individual
Case Basis

3.1.3.2.2.3 Optional Features:

Monthly	
Interim Local Number	
Portability (ILNP)	\$1.00

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.3 Local Trunk (Cont'd)

3.1.3.3 Local Trunk - Digital Interface: Local Trunk - Digital Interface provides a DS-1 digital transmission facility operating at 1.544 Mbps and time division multiplexed into 24 channels for the connection of Basic or DID Trunks to the Customer's PBX or trunk-capable Key System.

Local Trunk - Digital Interface can be used to carry one-way outbound traffic, one-way inbound or two-way traffic, Direct Inward Dialing, or a combination thereof.

3.1.3.3.1 One-Way Outbound: Provides the Customer with individual channels which are restricted to carry outbound traffic only.

3.1.3.3.2 One-Way Inbound or Two-Way: Provides the Customer with individual channels which are used to carry one-way inbound or two-way traffic. One common telephone number will be provided per trunk group.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.3 Local Trunk (Cont'd)

3.1.3.3 Local Trunk - Digital Interface(Cont'd)

3.1.3.3.2.1 Features: The following features is available:

Standard

Least Idle or Most Idle Trunk Selection

Optional

Interim Local Number Portability (ILNP)

3.1.3.3.3 Direct Inward Dialing (DID): Provides the Customer with individual channels which can carry one-way inbound traffic. The number of digits to be outpulsed must be specified by the Customer.

3.1.3.3.4 Local Trunk - Digital Interface Rates and Charges

3.1.3.3.4.1 Non-Recurring Charges

Digital Interface	\$XX.XX
-------------------	---------

Installation:

Local Trunk - Basic (per channel)	\$XX.XX
--------------------------------------	---------

Local Trunk - DID (per channel)	\$XXX.XX
------------------------------------	----------

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.3 Local Trunk (Cont'd)

3.1.3.3 Local Trunk - Digital Interface(Cont'd)

3.1.3.3.4 Local Trunk - Digital Interface Rates and Charges
(Cont'd)

3.1.3.3.4.1 Non-Recurring Charges (Cont'd)

Account Setup	\$ XX.XX
(per account)	
Account Changes (Moves, Changes, Additions) (per change)	\$ XX.XX
Account Changes (per Billing Record change)	\$ XX.XX

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.3 Local Trunk (Cont'd)

3.1.3.3 Local Trunk - Digital Interface (Cont'd)

3.1.3.3.4 Local Trunk - Digital Interface Rates and Charges (Cont'd)

3.1.3.3.4.2 Monthly Recurring Charges

Local Trunk - Digital Interface (per DS1) \$XXX.XX

Local Trunk - Basic (per channel) \$XX.XX
(Per call/Per Minute Option)

Local Trunk - Basic (per channel) \$XX.XX
(Unlimited Option)

DID number charge (per block of XX numbers) \$XX.XX

Rates for a volume of numbers greater than 1000 will be provided on an Individual Case Basis.

In addition to the above charges, applicable rates for usage will apply, as specified in Section 3.1.4.

Optional Features:

Inerim Local Number Portability (ILNP) \$1.00

Filed:

Randee Kindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.3 Local Trunk (Cont'd)

3.1.3.4

Local Trunk - 2 Way Direct

Provides the customer with a two-way direct dial digital or analog connection which can carry both inbound and outbound traffic and the ability to route a block of numbers to a trunk group, receive outpulsed digits on calls incoming through that trunk group and make outgoing calls using the same trunks.

3.1.3.4.1

2 Way Direct Dialing Numbers: Telephone numbers can be obtained in blocks of 20 numbers. Non-Recurring Charges and Monthly recurring charges will apply, as specified in Section 3.1.3.2.2.1 and Section 3.1.3.2.2.2 respectively, for 2-Way Direct numbers.

3.1.3.4.1.1

Optional Features:
Interim Local Number Portability (ILNP)

3.1.3.4.2

2 Way Direct Rates and Charges: A Customer who orders a Local Trunk - 2 Way Direct trunk will be charged applicable Non-Recurring Charges and monthly Recurring Charges as specified in Sections 3.1.3.2.2.1 and 3.1.3.2.2.2. Optional Feature charges will apply as specified in Section 3.1.3.2.2.3

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.4 Usage Rates: These rates apply to customers of Local Line Service and customers of Local Trunk Service. These rates will apply to all outgoing direct-dialed calls placed to Stations within the caller's local exchange area, as defined herein. If the computed charge includes a fraction of a cent, the fraction is rounded to the nearest whole cent.

3.1.4.1 Per Minute Usage Rate: Peak rates will apply from 8:00 am through 5:00 pm Monday through Friday. Off-Peak rates will apply at all other times. The following rates will be applied on a per minute basis:

Peak	Additional
1st Minute	Minutes
\$ X.XXX	\$X.XXX
Off Peak	Additional
1st Minute	Minutes
\$ X.XXX	\$X.XXX

3.1.4.2 Per Call Rate: A per call rate up to \$X.XX will be applied on a per call basis.

3. Service Descriptions (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.5 Residential Service

THIS PAGE RESERVED FOR FUTURE USE

The Company does not yet offer residential service in this area.

3. Service Descriptions (Cont'd)

3.2 Directory Assistance

A Customer may obtain Directory Assistance in determining telephone numbers within its local calling area by calling the Directory Assistance operator.

- 3.2.1 The Customer will be allowed to make up to **XX** calls per month to Directory Assistance at no charge. Each call to Directory Assistance thereafter will be charged as follows:

Per Call

\$X.XX

The Customer may request a maximum of two telephone numbers per call to Directory Assistance service.

- 3.2.2 A credit will be given for calls to Directory Assistance as follows:

- The Customer experiences poor transmission or is cut-off during the call; or
- The Customer is given an incorrect telephone number.

To obtain such a credit, the Customer must notify its Customer Service representative.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.3 Operator Assistance

A Customer may obtain the assistance of a local operator to complete local exchange telephone calls in the following manner. In addition to the rates specified in Section 3.1, surcharges as specified in Section 3.3.1 will apply:

Third Number Billing: Provides the Customer with the capability to charge a local call to a third number which is different from the called or calling party. The party answering at the third number has the option to refuse acceptance of the charges in advance or when queried by the operator.

Collect Calls: Provides the Customer with the capability to charge a call to the called party. On the operator announcement of a collect call, the called party has the option to refuse acceptance of charges in advance or when queried by the operator.

Calling Cards: Provides the Customer with the capability to place a call using a calling card of an Interexchange Carrier with or without the assistance of an operator.

Person to Person: Calls completed with the assistance of an operator to a particular Station and person specified by the caller. The call may be billed to the called party.

Station to Station: Calls complete with the assistance of an operator to a particular Station. The call may be billed to the called party.

General Assistance: The Customer has the option to request general information from the operator, such as dialing instructions, country or city codes, area code information and Customer Service 800 telephone numbers, but does not request the operator to complete the call.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.3 Operator Assistance (Cont'd)

3.3.1 Operator Assisted Surcharges: The following surcharges will be applied on a per call basis.

Third Number Billing	\$X.XX
Collect Calling	\$X.XX
Person to Person	\$X.XX
Station to Station	\$X.XX
General Assistance	N/C

3.3.2 Busy Line Verification and Interrupt Service: Busy Line Verification and Interrupt Service, which is furnished where and to the extent that facilities permit, provides the Customer with the following options:

3.3.2.1 Busy Line Verification: Upon request of the calling party, the Company will determine if the line is clear or in use and report to the calling party.

3.3.2.2 Busy Line Verification with Interrupt: The operator will interrupt the call on the called line only if the calling party indicates an emergency and requests interruption.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.3 Operator Assistance (Cont'd)

3.3.2 Busy Line Verification and Interrupt Service:

3.3.2.3 Rates: Rates for Busy Line Verification and Interrupt Service, as specified below, will apply under the following circumstances:

- 3.3.2.3.1 The operator verifies that the line is busy with a call in progress.
- 3.3.2.3.2 The operator verifies that the line is available for incoming calls.
- 3.3.2.3.3 The operator verifies that the called number is busy with a call in progress and the Customer requests interruption. The operator will then interrupt the call, advising the called party the name of the calling party. One charge will apply for both verification and interruption.

Per Request

Busy Line Verification	\$X.XX
Busy Line Interrupt	\$X.XX

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.4 Directory Listings

The Company shall provide for a single directory listing, termed the primary listing, in the telephone directory published by the dominant exchange service provider in the Customer's exchange area of the Station number which is designated as the Customer's main billing number. Directory listings of additional Company Station numbers, other than the Customer's main billing number, associated with a Customer's service will be provided for a monthly recurring charge per listing.

- 3.4.1 The Company reserves the right to limit the length of any listing in the directory by the use of abbreviations when, in its judgment, the clearness of the listing or the identification of the Customer is not impaired thereby. Where more than one line is required to properly list the Customer, no additional charge is made.
- 3.4.2 The Company may refuse a listing which is known not to constitute a legally authorized or adopted name, obscenities in the name, or any listing which, in the opinion of the Company, is likely to mislead or deceive calling persons as to the identity of the listed party, or is a contrived name used for advertising purposes or to secure a preferential position in the directory or is more elaborate than is reasonably necessary to identify the listed party. The Company, upon notification to the Customer, will withdraw any listing which is found to be in violation of its rules with respect thereto.
- 3.4.3 Each listing must be designated Government or Business to be placed in the appropriate section of the directory. In order to aid the user of the directory, and to avoid misleading or deceiving the calling party as to the identity of the listed party, only business listings may be placed in the Business Section and only residential listings in the Residential section. The Company, upon notification to the Customer, will withdraw any listing which is found to be in violation of its rules with respect thereto.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.4 Directory Listings (Cont'd)

3.4.4 In order for listings to appear in an upcoming directory, the Customer must furnish the listing to the Company in time to meet the directory publishing schedule.

3.4.5 Directory listings are provided in connection with each Customer service as specified herein.

3.4.5.1 Primary Listing: A primary listing contains the name of the Customer, or the name under which a business is regularly conducted, as well as the address and telephone number of the Customer. This listing is provided at no additional charge.

3.4.5.2 Additional Listings: In connection with business service, additional listings are available only in the names of Authorized Users of the Customer's service, as defined herein. Rates for additional listings are specified in Section 3.4.5.9 and 3.4.5.10.

3.4.5.3 Nonpublished Listings: Listings that are not printed in directories nor available from Directory Assistance.

A Nonpublished Telephone Service will be furnished, at the Customer's request providing for the omission or deletion of the Customer's telephone listing from the telephone directory and, in addition, the Customer's telephone listing will be omitted or deleted from the directory assistance records, subject to the provisions set forth in Section 2.1.4. Rates for Nonpublished Listings are specified in Section 3.4.5.9 and 3.4.5.10

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3 Service Descriptions (Cont'd)

3.4 Directory Listings (Cont'd)

- 3.4.5.4 **Nonlisted Numbers:** A Nonlisted number will be furnished at the Customer's request, providing for the omission or deletion of the Customer's listing from the telephone directory. Such listings will be carried in the Company's directory assistance and other records and will be given to any calling party. Rates for Nonlisted Listings are specified in Section 3.4.5.9 and 3.4.5.10.
- 3.4.5.5 **Foreign Listings:** Where available, a listing in a phone directory which is not in the Customer's immediate calling area. The Customer will be charged the rates specified in the tariff published by the specific exchange carrier providing the Foreign Listing.
- 3.4.5.6 **Alternate Call Listings:** Where available, a listing which references a telephone number which is not the primary listing for the Customer. The Customer must provide written verification that the alternate telephone number is authorized to accept calls. Rates for alternate call listings are specified in Section 3.4.5.9 and 3.4.5.10.
- 3.4.5.7 **Information Listings:** Where available, additional lines of information which may be included with a primary, additional or reference listings. Rates for information listings are specified in Section 3.4.5.9 and 3.4.5.10.
- 3.4.5.8 **Reference Listing:** A listing including additional telephone numbers of the same or another Customer to be called in the event there is no answer from the Customer's telephone. Charges for reference listings are specified in Section 3.4.5.9 and 3.4.5.10.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.4 Directory Listings (Cont'd)

3.4.5.9 Non-Recurring Charges: Non-Recurring charges associated with Directory Listings are as follows:

	<u>Per Listing or</u> <u>Per Number Charge</u>
Primary Listing	N/C
Additional Listing	\$ X.XX
Information Listing	\$ X.XX
Reference Listing	\$ X.XX
Non-Listed Number	\$ X.XX
Non-Published Number	\$ X.XX

3.4.5.10 Recurring Charges: Monthly Recurring Charges associated with Directory Listings are as follows:

	<u>Per Listing or</u> <u>Per Number Charge</u>
Primary Listing	N/C
Additional Listing	\$ X.XX
Information Listing	\$ X.XX
Reference Listing	\$ X.XX
Non-Listed Number	\$ X.XX
Non-Published Number	\$ X.XX

Filed:

Randee Kindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

- 3.5 Emergency Services (Enhanced 911) : Allows Customers to reach appropriate emergency services including police, fire and medical services. Enhanced 911 has the ability to selectively route an emergency call to the primary E911 provider so that it reaches the correct emergency service located closest to the caller. In addition, the Customer's address and telephone information will be provided to the primary E911 provider for display at the Public Service Answering Point (PSAP).
- 3.7 Vanity Telephone Numbers: At the request of the Customer, the Company may assign a telephone number with the last four digits selected by the Customer. The assignment is subject to availability of a particular number and subject to the terms and conditions set forth in Section 2.1.3.

The following charges will apply for Vanity Telephone Numbers:

<u>Non-Recurring</u>	<u>Monthly Recurring</u>
<u>(per number)</u>	<u>(per number)</u>
\$X.XX	\$X.XX

- 3.8 Telecommunications Relay Service (TRS): Enables deaf, hard-of-hearing or speech-impaired persons who use a Text Telephone (TT) or similar devices to communicate freely with the hearing population not using TT and visa versa. A Customer will be able to access the state provider to complete such calls.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

3. Service Descriptions (Cont'd)

3.9 Term Plans

3.9.1 MCI Metro Term Plan for Business Services --I

Customers who subscribe to facilities based Local Exchange Service and enroll in a MCI Metro Business Local Service Term Plan are eligible to receive the discounts described below on specific monthly recurring and usage charges based on the customer's term commitment. The customer must commit to service for a term of either one, two, three, four or five years. The term of the MCI Metro Business Local Service Term Plan will commence no earlier than the first of the next billing month in which the customer subscribes to the plan. The customer will receive the following discounts in lieu of all other discounts or promotions except for the Local Customer Assurance Promotion on the following recurring charges: Local Line, Local Trunk Basic, DID numbering charges, 2-Way Direct numbering charges, Local Trunk-DID, Local Trunk 2 Way Direct and usage charges.

Term Commitment	Discount
1 Year	10%
2 Year	15%
3 Year	20%
4 Year	20%
5 Year	20%

MCI will waive applicable install charges for any new lines or trunks ordered by the customer. A plan will automatically renew for an equivalent term unless the customer provides written notification to cancel the MCI Local Service Term Plan. This notice must be received by MCI no more than 30 days after the expiration of the term plan.

Cancellation or Discontinuance with Liability: Discontinuance of all Local Services furnished under the MCI Metro Business Local Service Term Plan prior to the expiration of the committed term constitutes discontinuance of the plan and the customer will be billed and required to pay an early termination charge. The early termination charge will be equal to the customer's highest billed monthly charges incurred during the length of the term commitment multiplied by the number of months remaining in the customer's term plan.

For customers that have enrolled in a networkMCI One long distance term plan or special customer arrangement offered by MCI Telecommunications Corporation (MCI), the customer's term length may be coterminous with the networkMCI One or special customer arrangement term of service. Accordingly, the customer's actual term may be of a shorter duration than the term commitment selected above. If the customer selects a term commitment greater than the term of service of the networkMCI One or special customer arrangement, the cotermination provision shall not apply.

For those customers who subscribe to a networkMCI One term plan or special customer arrangement, the early termination charges associated with that term plan or special customer arrangement will apply in lieu of the charges specified above. In addition, Customers will be required to repay any credits received as a result of enrolling in the term plan or special customer arrangement.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

4. Promotional Offerings

The Company, from time to time, may make promotional offerings of its services which may include waiving or reducing the applicable charges for the promoted service. The promotional offerings may be limited as to the duration, the date and times of the offerings and the locations where the offerings are made.

4.1 Local Test Drive

Beginning upon the effective date of this initial filing and ending July 31, 1997, the Company will offer the following promotion to new local exchange customers of facilities based service who are existing T-1 digital access customers of an MCI Metro-designated company and allow their local exchange telephone service's Local Access Channels to connect to its existing T-1 digital access circuits.

Eligible customers will receive a credit, not to exceed \$5,000, equal to the following amounts, based on the number, type and location of new exchange telephone service Local Access Channels ordered by the customer under this promotion, as follows:

Local Access Channels

	Local	Local	Local	Local
	Line	Trunk	Trunk	Trunk
		Basic	DID/2-Way	DID/2-Way
Location		Direct	Direct	Direct
XXXXXX	\$XX	\$XX	\$XX	\$X.XX

The credit will be applied to the customer's first monthly invoice following enrollment in this promotion. Customers enrolled in this promotional offering are not eligible to receive the benefits of any other promotional offering except the Local Exchange Install Waiver Promotion.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

4. Promotional Offerings

4.2 MCI Local Services Investor Promotion - CITY NAME

Beginning March 1, 1997 and ending the day prior to the first initial offering, MCI Metro will offer the following promotion to new customers of non-resold exchange service that agree to become customers of MCI Local Service when local exchange service becomes Service Available in the customer's local calling area. Customers enrolled in this promotion are eligible to receive the benefits described below.

Enrolled customers who designate an annual volume commitment will receive the following credits in each month following the customer's enrollment in this promotion and the date when MC Metro's non-resold exchange service becomes available in the customer's exchange service area, based in the customer's term of service and annual volume commitment. Annual volume commitments are available in the following amounts: \$6,000; \$12,000; \$24,000; \$36,000; \$48,000; \$60,000; \$84,000; \$96,000; \$120,000; \$180,000; \$240,000; \$300,000; \$360,000; \$420,000 or \$480,000. The customer's annual volume commitment will be calculated on the following Local Access charges during the term of service: recurring Local Line charges, recurring Local Trunk-Basic charges, recurring Local Trunk DID charges, recurring Local Trunk 2-Way Direct charges, recurring Local Trunk Digital Interface charges, DID number charges, 2-Way Direct number charges and usage charges.

Annual Volume Commitment	Term of Service		
	One Year	Two Years	Three Years
\$6,000	\$50	\$75	\$100
\$12,000	\$100	\$150	\$200
\$24,000	\$200	\$300	\$400
\$36,000	\$300	\$450	\$600
\$48,000	\$400	\$600	\$800
\$60,000	\$500	\$750	\$1,000
\$84,000	\$700	\$1,050	\$1,400
\$96,000	\$800	\$1,200	\$1,600
\$120,000	\$1,000	\$1,500	\$2,000
\$180,000	\$1,500	\$2,250	\$3,000
\$240,000	\$2,000	\$3,000	\$4,000
\$300,000	\$2,500	\$3,750	\$5,000
\$360,000	\$3,000	\$4,500	\$6,000
\$420,000	\$3,500	\$5,250	\$7,000
\$480,000	\$4,000	\$6,000	\$8,000

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

4. Promotional Offerings (Cont.)

4.2 MCI Local Services Investor Promotion - CITY NAME (Cont.)

Enrolled customers who do not designate an annual volume commitment will receive credits based on the customer's location and term commitment. The customer's credit amount will be based on the number of Local Access Channels (Local Lines, Local Trunks-Basic, Local Trunk 2-Way Direct and/or Local Trunks-DID) and DID Number Charges and 2-Way Direct Number charges ordered by the customer and on the exchange service area in which the customer orders service multiplied by 10% for customers committing to a one-year term, 15% for a two-year term, and 20% for a three-year term.

Local Line \$XX.XX	Credit Per Local Access Channel		2-Way Direct/ DID Number Charge (per 20) \$X.XX
	Local Trunk- Basic \$XX.XX	Local Trunk- DID/2-Way Direct \$XX.XX	

Customers enrolled in either option will receive one credit for each month from the customer's enrollment date in this promotion and the date when the non-resold exchange service becomes available in the customer's exchange service area with a limit of 12 such credits. Customers whose service is billed on a local service-only invoice, will receive a coupon for their credit which they must remit with their invoice in order to receive the invoice credit. This coupon will be valid for 12 months beginning with the customer's local service start date. All other customers will receive an invoice credit once to be applied to the customer's invoice within 60 days from the commencement of customer's exchange service. Credit balances will carry over to invoices in subsequent months until depleted. The term of service will commence when the customer's service is installed. The term will commence no earlier than the first full billing month in which MCI Local Services is available in the customer's market. The customer's Annual Volume Commitment will be based upon the following Eligible Volume charges: recurring Local Trunk-DID charges, recurring Local Trunk 2-Way Direct charges, recurring Local Trunk-Digital interface charges, usage charges, Network Access for Interstate Calling charges, and monthly recurring DID number charges and recurring 2-Way Direct number charges. The customer will be required at the time of enrollment in this promotion to enroll for service. The customer will receive a credit for the following charges: Account Set up, Account Changes (including Moves, Changes, Additions and Billing Record Changes), Line Connection Charges (Local Line, Local Trunk-Basic Local Trunk 2-Way Direct and Local Trunk-DID), Line Restoral Charges, DID Numbers Installation and Number Charges, 2-Way Direct Numbers Installation and Number Charges, Vanity Number Installation, Voice Mail Installation, Call Assistant Installation, and Channelization Connection.

The customer will receive monthly discounts based on their commitment term. The customer will receive the following discounts on recurring Local Line charges, recurring Local Trunk-Basic charges, recurring Local Trunk-DID charges, recurring Local Trunk-Digital interface charges, recurring Local Trunk 2-Way Direct charges, usage charges, Network Access for Interstate Calling charges, and monthly recurring DID number charges and monthly recurring 2-Way Direct number charges. These discounts will be in lieu of all other discounts and promotions, excluding installation waivers and discounts offered as part of this promotion.

Term Commitment	Discount
1 Year	10%
2 Year	15%
3 Year	20%

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

4. Promotional Offerings (Cont.)

4.2 MCI Local Services Investor Promotion - CITY NAME (Cont.)

The customer will have the following charges waived in the last month of each term year: monthly recurring line charges, monthly recurring trunk charges, line usage charges, trunk usage charges, Network Access for Interstate Calling charges, and monthly recurring DID number charges. For a 1 year term, the credit will be based on the 12th month of service and will be applied to the 13th month's invoice; For a 2 year term, the credit will be based on the 24th month of service and will be applied to the 25th month's invoice; and, for the 3-year term, the credit will be based on the 36th month of service and will be applied to the 37th month's invoice. After one year of local exchange service, MCI Metro will waive applicable installation charges for any new lines or trunks ordered by the customer who has committed to a 2-year or 3-year term plan.

An area will become Service Available when the service has become commercially available, when MCI Metro has received all regulatory approvals and when all required tariffs have been filed.

If the customer selected an Annual Volume Commitment and if, at the end of any year of the term, a customer has not met the annual volume commitment, the customer must pay the difference between its actual volume and its Annual Volume Commitment. If the customer discontinues all of its Local Services furnished under this promotion prior to the expiration of the committed term, the customer will be billed and required to pay an early termination charge. The early termination charge for customers that selected an Annual Volume Commitment will equal the current year's underutilization charges plus a percentage of the annual volume commitment for each year of the term remaining unfulfilled based on the charge below. For customers who have not chosen an Annual Volume Commitment the early termination charge will equal the customer's highest billed charges during the term multiplied by the number of months that are remaining in the term.

Months Of Service	Length of Term Commitment		
	1 Year	2 Years	3 Years
0-6	100%	100%	100%
7-9	50%	100%	100%
10-12	10%	100%	100%
13-15		50%	100%
16-18		25%	100%
19-21		25%	50%
22-24		10%	50%
25-27			50%
28-33			25%
34-36			10%

Any customer who cancels its Investor Term Plan prior to its expiration will be required to repay any promotional credits that it received contingent upon enrollment in this promotion, in addition to other applicable early termination charges noted above.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

4. Promotional Offerings (Cont.)

4.3 Interim Local Number Portability (ILNP) Promotion

Beginning upon the effective date of this initial filing and ending June 30, 1997, MCI Metro will waive the ILNP monthly recurring charge for the following facilities based services: Local Lines; Local Trunks-Basic; Local Trunks-DID and, Local Trunks 2-Way Direct.

4.4 Local Service Exchange Install Waiver Promotion

Beginning upon the effective date of this initial filing and ending June 31, 1997, the Company will offer the following promotion to all new Local Exchange Service customers of facilities based services who order service during the promotional period. All Installation charges listed below will be waived for the customer's first year of service:

Account Set-up

Account Changes (including Moves, Changes, Additions and Billing Record Changes);
Line Connection Charges (Local Line, Local Trunk-Basic, Local Trunk-DID and Local Trunk 2-Way Direct);

Direct Inward Dialing (DID) Installation Telephone Number Charges;

DID Non-Recurring Installation Charges;

2-Way Direct Installation Telephone Number Charges;

2-Way Direct Non-Recurring Installation Charges, &

Vanity Number Non-Recurring Charge.

4.5 MCI Customer Assurance Promotion

Beginning upon the effective date of this initial filing and ending May 31, 1997, MCImetro will offer the following promotion to all new and existing facilities based MCImetro business customers. During the customers first six months of service, if the customer is dissatisfied for any reason, MCImetro will provide the customer a credit equal to the customers monthly charges. If the customer requests the credit two times in the first six months, MCImetro, at the request of the customer, will pay the customer the non-recurring installation charges to re-install the customer on their previous Local Exchange Carrier. The customer must install the same service and same Local Exchange Carrier they used prior to installing MCImetro services. If the customer signed a term plan and elected to return to their previous carrier during the first six months of service, the customer may cancel the term plan without liability. During the customers seventh month through twelfth month, if the customer is dissatisfied for any reason, MCImetro will provide the customer a credit equal to the customers monthly charge. The customer is only eligible to receive the credit in any two months during the first six months of service and any two months between the seventh and twelfth months. Any one credit cannot exceed \$5,000 per location.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

5. Individual Case Basis (ICB) Arrangements

Arrangements will be developed on a case-by-case basis in response to a bona fide request from a Customer or prospective Customer to develop a competitive bid for a service not generally offered under this tariff. ICB rates will be offered to the Customer in writing and on a non-discriminatory basis.

Filed:

Randee Klindworth
Tariff Administrator
201 Spear Street, 9th Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

MCImetro ACCESS TRANSMISSION SERVICES, INC.

REGULATIONS AND SCHEDULE OF INTRASTATE CHARGES
APPLYING TO ACCESS SERVICES BETWEEN
FIXED POINTS IN THE STATE OF South Dakota

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

CHECK SHEET

The Title Page and Pages 1 - 61 inclusive of this tariff are effective as of the date shown. Original and revised pages, as named below, comprise all changes from the original tariff in effect on the date indicated.

<u>Page</u>	<u>Revision</u>	<u>Page</u>	<u>Revision</u>
Title	Original	26.1	Original
1	Original	27	Original
2	Original	28	Original
3	Original	29	Original
4	Original	29.1	Original
5	Original	30	Original
5.1	Original	31	Original
6	Original	31.1	Original
7	Original	32	Original
8	Original		
9	Original		
10	Original		
11	Original		
12	Original		
13	Original		
13.1	Original		
14	Original		
15	Original		
16	Original		
17	Original		
17.1	Original		
18	Original		
19	Original		
19.1	Original		
20	Original		
20.1	Original		
21	Original		
21.1	Original		
22	Original		
22.1	Original		
23	Original		
24	Original		
24.1	Original		
25	Original		
26	Original		

* New or Revised Page

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

CHECK SHEET (Cont.)

<u>Page</u>	<u>Revision</u>	<u>Page</u>	<u>Revision</u>
33	Original	59	Original
34	Original	59.1	Original
35	Original	60	Original
35.1	Original	61	Original
36	Original		
36.1	Original		
37	Original		
37.1	Original		
38	Original		
39	Original		
40	Original		
40.1	Original		
41	Original		
41.1	Original		
42	Original		
43	Original		
43.1	Original		
44	Original		
45	Original		
46	Original		
46.1	Original		
47	Original		
47.1	Original		
48	Original		
48.1	Original		
49	Original		
50	Original		
51	Original		
52	Original		
53	Original		
54	Original		
54.1	Original		
55	Original		
56	Original		
57	Original		
58	Original		

* New or Revised Page

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

TABLE OF CONTENTS

CHECK SHEET	1
TABLE OF CONTENTS	3
APPLICATION OF TARIFF	6
EXPLANATION OF SYMBOLS	7
1. DEFINITION	8
2. REGULATIONS	12
2.1 Undertaking of the Company	12
2.1.1 Scope	12
2.1.2 Shortage of Equipment or Facilities	12
2.1.3 Terms and Conditions	12
2.1.4 Liability of the Company	13
2.1.5 Notification of Service-Affecting Activities	16
2.1.6 Provision of Equipment & Facilities	16
2.1.7 Non-routine Installation	17.1
2.1.8 Special Construction	18
2.1.9 Ownership of Facilities	18
2.2 Prohibited Uses	18
2.3 Obligations of the Customer	19
2.3.1 Obligations	19
2.3.2 Claims	20
2.3.3 Jurisdictional Reporting	20
2.4 Customer Equipment and Channels	22
2.4.1 In General	22
2.4.2 Station Equipment	22
2.4.3 Interconnection of Facilities	23
2.4.4 Inspections	23
2.5 Payment Arrangements	23
2.5.1 Payment for Service	24
2.5.2 Billing and Collection of Charges	24.1
2.5.3 Advance Payments	27
2.5.4 Deposits	27
2.5.5 Refusal and Discontinuance of Service	28
2.5.6 Cancellation of Application for Service	30

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

TABLE OF CONTENTS (Cont.)

2.6	Allowances for Interruptions in Service	31
2.6.1	Credit for Interruptions	31
2.6.2	Limitations on Allowances	32
2.6.3	Cancellation For Service Interruption	32
2.7	Cancellation of Service	33
2.8	Transfers and Assignments	33
2.9	Notices and Communications	33
3	ORDERING OPTIONS FOR SWITCHED AND SPECIAL ACCESS SERVICE	34
3.1	General	34
3.1.1	Ordering Conditions	34
3.1.2	Provision of Other Services	34
3.2	Access Order	35
3.2.1	Access Service Date Intervals	35
3.2.2	Access Service Request Modifications	36
3.2.3	Cancellation of an Access Service Request	37.1
3.2.4	Minimum Period of Service	38
4	SPECIAL ACCESS SERVICE	40
4.1	General	40
4.2	Transmission Service	40
5	SWITCHED ACCESS SERVICE	41
5.1	General	41
5.2	Provision and Description of Switched Access Service Arrangements	41
5.2.1	Feature Group D (FGD) Access	41
5.2.2	Manner of Provision	41
5.2.3	Rate Categories	42
5.2.4	Billing Validation Service	45
5.2.5	Design Layout Report	45
5.2.6	Acceptance Testing	45
5.2.7	Ordering Options and Conditions	45
5.2.8	Competitive Pricing Arrangements	45

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

TABLE OF CONTENTS (Cont.)

5.3	Obligations of Company	46
5.3.1	Network Management	46
5.4	Obligations of the Customer	46.1
5.4.1	Report Requirements	46.1
5.4.2	Supervisory Signaling	46.1
5.4.3	Design of Switched Access Services	46.1
5.5	Switched Access Optional Features	47
5.5.1	Nonchargeable Optional Features	47
5.5.2	Chargeable Optional Features	47
5.5.3	Feature Group D Optional Features	47
6.	Special Access Rates	49
6.1	Special Construction	49
6.1.1	Basis for Rates and Charges	49
6.1.2	Termination Liability	49
6.2	Transmission Service	50
6.2.1	General	50
6.2.2	Voice Grade Service	50
6.2.3	Digital Data Services	51
6.2.4	Fractional T-1 Service	51
6.2.5	DS-1 Service	52
6.2.6	DS-3 Service	53
6.2.7	Service Calls	53
6.2.8	Individual Case Basis Arrangements	53
7.	Switched Access Rates	54
7.1	Description of Rates and Charges	54
7.1.1	Monthly Recurring Charges	54
7.1.2	Usage Rates	54
7.1.3	Non-recurring Charges	54
7.2	Application of Rates	54
7.2.1	Direct Connect	54
7.2.2	Tandem Connect	54.1
7.2.3	800 Number Translation Charge	54.1
7.3	Billing of Access Minutes	55

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

TABLE OF CONTENTS (Cont.)

7.4	Rates and Charges	56
7.4.1	Service Implementation	56
7.4.2	Change Charges	56
7.4.3	Cancellation Charges	56
7.4.4	Switched Access	57
7.4.5	Chargeable Optional Features	59
7.4.6	Nonchargeable Optional Features	59.1
7.4.7	Feature Group D Optional Features	59.1
7.5	Special Construction	60
8.	Billing Name and Address	61

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

APPLICATION OF TARIFF

This tariff sets forth the service offerings, rates, terms and conditions applicable to the furnishing of intrastate access and point to point service within the State of South Dakota by MCImetro Access Transmission Services, Inc. (hereinafter "The Company").

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

EXPLANATION OF SYMBOLS, REFERENCE MARKS, AND ABBREVIATIONS OF TECHNICAL TERMS
USED IN THIS TARIFF

The following symbols shall be used in this tariff for the purpose indicated below:

- C - To signify changed regulation.
- D - To signify discontinued rate or regulation.
- I - To signify increased rate.
- M - To signify a move in the location of text.
- N - To signify new rate or regulation.
- R - To signify reduced rate.
- S - To signify reissued matter.
- T - To signify a change in text but no change in rate or regulation.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

1. DEFINITIONS

Certain terms used generally throughout this tariff for the Access Services of this Company are defined below.

Access Code: A uniform five or seven digit code assigned by the Company to an individual customer. The five digit code has the form 10XXX, and the seven digit code has the form 950-XXXX or 101XXXX.

Access Service: Switched or Special Access to the network of an Interexchange Carrier for the purpose of originating or terminating communications.

Access Service Request (ASR): The industry service order format used by Access Service customers and access providers as agreed to by the Ordering and Billing Forum.

Access Tandem: An Exchange Carrier's switching system that provides a concentration and distribution function for originating or terminating traffic between local switching centers and customers' premises.

Advance Payment: Payment of all or part of a charge required before the start of service.

Alternate Access: Alternate Access has the same meaning as 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 specified in a private agreement rather than in a published or special tariff if private agreements are permitted by applicable governmental rules.

Authorized User: A person, firm, corporation or other entity that either is authorized by the Customer to use Access Services or is placed in a position by the Customer, either through acts or omissions, to use Access Services.

Bit: The smallest unit of information in the binary system of notation.

Carrier or Common Carrier: See Interexchange Carrier or Exchange Carrier.

Channel(s): An electrical or, in the case of fiber optic-based transmission systems, a photonic communications path between two or more points of termination.

Common Channel Signaling (CCS): A high speed packet switched communications network which is separate (out of band) from the public packet switched and message networks. It is used to carry addressed signaling messages for individual trunk circuits and/or database related services between signaling points in the CCS network.

Company: MCImetro Access Transmission Services, Inc., a Delaware corporation, which is the issuer of this tariff.

Conventional Signaling: The inter-machine signaling system has been traditionally used in North America for the purpose of transmitting the called number's address digits from the originating Local Switching Center which terminates the call. In this system, all of the dialed digits are received by the originating switching machine, a path is selected, and the sequence of supervisory signals and outpulsed digits is initiated. No overlap outpulsing ten digit ANI, ANI information digits, or acknowledgment link are included in this signaling sequence.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

1. DEFINITIONS (Cont.)

Customer: The person, firm, corporation or other entity which orders Service and is responsible for the payment of charges and for compliance with the Company's tariff regulations.

Dedicated: A facility or equipment system or subsystem set aside for the sole use of a specific customer.

Duplex Service: Service which provides for simultaneous transmission in both directions.

End User: Any individual, association, corporation, governmental agency or any other entity other than an interexchange Carrier which subscribes to intrastate service provided by an Exchange Carrier.

Exchange Carrier: Any individual, partnership, association, joint-stock company, trust, governmental entity or corporation engaged in the provision of local exchange telephone service.

Fiber Optic Cable: A thin filament of glass with a protective outer coating through which a light beam carrying communications signals may be transmitted by means of multiple internal reflections to a receiver, which translates the message.

Firm Order Confirmation (FOC): Acknowledgment by the Company of receipt of an Access Service Request from the Customer and commitment by the Company of a Service Date.

Hub: The Company office where all customer facilities are terminated for purposes of interconnection to Trunks and/or cross-connection to distant ends.

Individual Case Basis: A service arrangement in which the regulations, rates and charges are developed based on the specific circumstances of the Customer's situation.

Interexchange Carrier (IC) or Interexchange Common Carrier: Any individual, partnership, association, joint-stock company, trust, governmental entity or corporation engaged in state or foreign communication for hire by wire or radio, between two or more exchanges.

Joint User: A person, firm or corporation designated by the Customer as a user of access facilities furnished to the Customer by the Company, and to whom a portion of the charges for such facilities are billed under a joint use arrangement.

Kbps: Kilobits, or thousands of Bits, per second.

LATA: A local access and transport area established pursuant to the Modification of Final Judgment entered by the United States District Court for the District of Columbia in Civil Action No. 82-0192 for the provision and administration of communications services.

Line Information Data Base (LIDB): The data base which contains billing information such as telephone numbers, calling card numbers and associated billed number restriction data used in connection with the validation and billing of calls.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

1. DEFINITIONS (Cont.)

Local Access: The connection between a customer's premises and a point of presence of the Exchange Carrier.

Local Switching Center: The switching center where telephone exchange service customer station Channels are terminated for purposes of interconnection to each other and to interoffice Trunks.

Mbps: Megabits, or millions of Bits, per second.

Meet Point Billing: The arrangement through which multiple Exchange Carriers involved in providing Access Services, divide the ordering, rating, and billing of such services on a proportional basis, so that each Exchange Carrier involved in providing a portion of the Access Service agrees to bill under its respective tariff.

Network: The Company's digital fiber optics-based network located in the Continental United States.

Network Services: The Company's telecommunications Access Services offered on the Company's Network.

Non-Recurring Charges: The one-time initial charges for services or facilities, including but not limited to charges for construction, installation, or special fees, for which the Customer becomes liable at the time the Service Order is executed.

Off-Hook: The active condition of Switched Access or a telephone exchange service line.

Off-Net: A Customer is considered to be Off-Net when its point of presence is not served by the same Hub in which the Company's Local Switching Center, which is providing service to the Customer, is located.

On-Hook: The idle condition of switched access or a telephone exchange service line.

On-Net: A Customer is considered to be On-Net when its point of presence is served by the same Hub in which the Company's Local Switching Center, which is providing service to the Customer, is located.

Out of Band Signaling: An exchange access signaling feature which allows customers to exchange call control and signaling information over a communications path which is separate from the message path.

Point of Presence: Location where the Customer maintains a facility for purposes of interconnecting to the Company's Network.

Point to Point Service: An unswitched full time transmission service utilizing the Company's facilities to connect two or more Customer designated locations.

Premises: The space occupied by a Customer or Authorized User in a building or buildings or on contiguous property (except railroad rights-of-way, etc.).

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

1. DEFINITIONS (Cont.)

Recurring Charges: The monthly charges to the Customer for services, facilities and equipment, which continue for the agreed upon duration of the service.

Service Commencement Date: For Special Access Service and Direct Connect Switched Access Service, the first day following the date on which the Company notifies the Customer that the requested service or facility is available for use, unless extended by the Customer's refusal to accept service which does not conform to standards set forth in the Service Order or this tariff, in which case the Service Commencement Date is the date of the Customer's acceptance of service. The parties may mutually agree on a substitute Service Commencement Date. If the Company does not have an executed Service Order from a Customer, the Service Commencement Date will be the first date on which the service or facility was used by the Customer. For Tandem Connect Customers, the Service Commencement Date will be the first date on which the service or facility was used by the Customer.

Service Order: The written request for Network Services executed by the Customer and the Company in a format devised by the Company; or, in the alternative, the submission of an Access Service Request by the Customer in the manner specified in this tariff. The signing of a Service Order or submission of an ASR by the Customer and acceptance thereof by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this tariff, but the duration of the service is calculated from the Service Commencement Date.

Service(s): The Company's telecommunications Access Services offered on the Company's Network.

Shared Facilities: A facility or equipment system or subsystem which can be used simultaneously by several customers.

Signaling Point of Interface: The Customer designated location where the SS7 signaling information is exchanged between the Company and the Customer.

Signaling System 7 (SS7): The common Channel Out of Band Signaling protocol developed by the Consultative Committee for International Telephone and Telegraph (CCITT) and the American National Standards Institute (ANSI).

Signaling Transfer Point Access: Allows the Customer to access a specialized switch which provides SS7 network access and performs SS7 messaging routing and screening.

Special Access Service: Dedicated access between a Customer's Premises and another Point of Presence for the purpose of originating or terminating communications. Special Access is available to both carriers and end users, as defined in this tariff.

Switched Access Service: Access to the switched network of an Exchange Carrier for the purpose of originating or terminating communications. Switched Access is available to carriers, as defined in this tariff.

Trunk: A communications path connecting two switching systems in a network, used in the establishment of an end-to-end connection.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

2. REGULATIONS

2.1 Undertaking of the Company

2.1.1 Scope

Access Services consist of furnishing communications service in connection with one-way and/or two-way information transmission between points within the State of South Dakota under the terms of this tariff.

2.1.2 Shortage of Equipment or Facilities

2.1.2.1 The Company reserves the right to limit or to allocate the use of existing facilities, or of additional facilities offered by the Company when necessary because of lack of facilities or due to some other cause beyond the Company's control.

2.1.2.2 The furnishing of service under this tariff is subject to the availability on a continuing basis of all the necessary facilities and is limited to the capacity of the Company's Fiber Optic Cable facilities as well as facilities the company may obtain from other Carriers from time to time, to furnish service as required at the sole discretion of the Company.

2.1.2.3 The provisioning and restoration of service in emergencies shall be in accordance with Part 64, Subpart D, Appendix A of the Federal Communications Commission's Rules and Regulations, which specifies the priority system for such activities.

2.1.3 Terms and Conditions

2.1.3.1 Except as otherwise provided herein, service is provided and billed on the basis of a minimum period of at least one month, and shall continue to be provided until cancelled by the Customer, in writing, on not less than 30 days notice. Unless otherwise specified herein, for the purpose of computing charges in this tariff, a month is considered to have 30 days.

2.1.3.2 Customers may be required to enter into written Service Orders which shall contain or reference the name of the Customer, a specific description of the service ordered; the rates to be charged, the duration of the services, and the terms and conditions in this tariff. Customer will also be required to execute any other documents as may be reasonably requested by the Company.

2.1.3.3 At the expiration of the initial term specified in each Service Order, or in any extension thereof, service shall continue on a month to month basis at the then current rates unless terminated by either party upon 30 days written notice. Any termination shall not relieve Customer of its obligation to pay any charges incurred under the Service Order and this tariff prior to termination. The rights and obligations which by their nature extend beyond the termination of the term of the Service Order shall survive such termination.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

- 2.1.3.4 This tariff shall be interpreted and governed by the laws of the State of South Dakota.

MCImetro ACCESS TRANSMISSION
SERVICES, INC.

South Dakota Tariff No. 2
ORIGINAL PAGE NO. 13

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.1 Undertaking of the Company (Cont.)

2.1.3 Terms and Conditions (Cont.)

2.1.3.5 The Customer agrees to operate Company-provided equipment in accordance with instructions of the Company or the Company's agent. Failure to do so will void Company liability for interruption of service and may make the Customer responsible for damage to equipment pursuant to section 2.1.3.6 below.

2.1.3.6 The 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.

2.1.4 Liability of the Company

2.1.4.1 The liability of the Company for damages arising out of the furnishing of its Services, including but not limited to mistakes, omissions, interruptions, delays, errors, other defects, or representations by the Company, or use of these services or damages arising out of the failure to furnish the service whether caused by act or omission, shall be limited to the extension of allowances for interruption as set forth in 2.6 below. The extension of such allowances for interruption shall be the sole remedy of the Customer and the sole liability of the Company. The Company will not be liable for any direct, indirect, incidental, special, consequential, exemplary or punitive damages to Customer as a result of any Company service, equipment or facilities, or the acts or omissions or negligence of the Company's employees or agents.

2.1.4.2 The Company's liability for willful misconduct, if established as a result of judicial or administrative proceedings, is not limited by this tariff. The Company's liability, if any, with regard to delayed installation of Company facilities or commencement of service, shall not exceed \$1,000. With respect to any other claim or suit, by a Customer or by any others, for damages associated with the ordering (including the reservation of any specific number for use with a service), installation (including delays thereof), provision, termination, maintenance, repair, interruption or restoration of any service or facilities offered under this tariff, and subject to the provisions of Section 2.6, the Company's liability, if any, shall be limited as provided herein.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.1 Undertaking of the Company (Cont.)

2.1.3 Terms and Conditions (Cont.)

- 2.1.4.3 The Company shall not be liable for any delay or failure of performance or equipment due to causes beyond its control, including but not limited to: acts of God, fire, flood, explosion or other catastrophes; any law, order, regulation, direction action, or request of The United States government or of any other government, including state and local governments having or claiming jurisdiction over the Company, or of any department, agency, commission, bureau, corporation, or other instrumentality of any one or more of these federal state, or local governments, or of any military authority; preemption of existing service in compliance with national emergencies; insurrections, riots; wars; unavailability of rights-of-way or materials; or strikes, lockouts work stoppages, or other labor difficulties.
- 2.1.4.4 The Company shall not be liable for (a) any act or omission of any entity furnishing the Company or the Company's Customers facilities or equipment used for the interconnection with Access Services; or (b) for the acts or omissions of other Common Carriers or warehousemen.
- 2.1.4.5 The Company shall not be liable for any damages or losses due to the fault or negligence of the Customer or due to the failure or malfunction of Customer-provided equipment or facilities.
- 2.1.4.6 The Customer shall indemnify and hold the Company harmless from any and all loss, claims, demands, suits, or other actions, or any liability whatsoever, whether suffered, made, instituted, or asserted by any other party or person(s), and for any loss, damage, or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, removal, condition, location, or use of any installation or equipment provided by the Company. The Company reserves the right to require each Customer to sign an agreement acknowledging acceptance of the provisions of this Section 2.1.4.6 as a condition precedent to such installations

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.1 Undertaking of the Company (Cont.)

2.1.4 Liability of the Company (Cont.)

2.1.4.7 The Company shall not be liable for any defacement of or damage to Customers Premises resulting from the furnishing of services or equipment on such Premises or the installation or removal thereof, unless such defacement or damage is caused by the gross negligence or willful misconduct of the Company's agents or employees. No agents or employees of other participating Carriers shall be deemed to be agents or employees of the Company.

2.1.4.8 Notwithstanding the Customer's obligations as set forth in Section 2.3.2 below, the Company shall be indemnified, defended and held harmless by the Customer, or by others authorized by it to use the service, against any claim, loss or damage arising from Customer's use of services furnished under this tariff, including: claims for libel, slander, invasion of privacy or infringement of copyright arising from the material, data, information, or other content transmitted via the Company's service; and patent infringement claims arising from combining or connecting the service offered by the Company with apparatus and systems of the Customer or others; all other claims arising out of any act or omission of the Customer or others, in connection with any service provided by the Company pursuant to this tariff.

2.1.4.9 The Company shall be indemnified and held harmless by the End User against any claim, loss or damage arising from the End User's use of services offered under this tariff including: claims for libel, slander, invasion of privacy or infringement of copyright arising from the End User's own communications; patent infringement claims arising from the End User's combining or connecting the service offered by the Company with facilities or equipment furnished by the End User of another Interexchange Carrier; or all other claims arising out of any act or omission of the End User in connection with any service provided pursuant to this tariff.

2.1.4.10 The entire liability of the Company for any claim, loss, damage or expense from any cause whatsoever shall in no event exceed sums actually paid to the Company by the Customer for the specific services giving rise to the claim, and no action or proceeding against the Company shall be commenced more than one year after the service is rendered.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.1 Undertaking of the Company (Cont.)

2.1.4 Liability of the Company (Cont.)

- 2.1.4.11 The Company makes no warranties or representation, express or implied, including warranties or merchantability or fitness for a particular use, except those expressly set forth herein.
- 2.1.4.12 The Company shall not be liable for any act or omission of any other company or companies furnishing a portion of the service, or for damages associated with service, Channels, or equipment which result from the operation of Customer-provided systems, equipment, facilities or service which are interconnected with Company services.
- 2.1.4.13 The Company does not guarantee nor make any warranty with respect to service installations at locations at which there is present an atmosphere that is explosive, prone to fire, dangerous or otherwise unsuitable for such installations. The Customer and End User shall indemnify and hold the Company harmless from any and all loss, claims, demands, suits or other actions, or any liability whatsoever, whether suffered, made, instituted or asserted by the Customer or by any other party, for any personal injury to, or death of, any person or persons, or for any loss, damage or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused directly or indirectly, by the installation, operation, failure to operate, maintenance, removal, presence, condition, locations or use of service furnished by the Company at such locations.
- 2.1.4.14 The Company shall not be liable for the Customer's failure to fulfill its obligations to take all necessary steps including, without limitation, obtaining, installing and maintaining all necessary equipment, materials and supplies, for interconnecting the terminal equipment or communications system of the Customer, or any third party acting as its agent, to the Company's Network. The Customer shall secure all licenses, permits, rights-of-way, and other arrangements necessary for such interconnection. In addition, the Customer shall ensure that its equipment and/or system or that of its agent is properly interfaced with the Company's service, that the signals emitted into the Company's Network are of the proper mode, band-width, power, data speed, and signal level for the intended use of the Customer and in compliance with the criteria set forth in Section 2.1.6 following, and that the signals do not damage Company equipment, injure its personnel or degrade service to other Customer. If the Customer or its agent fails to maintain and operate its equipment and/or system or that of its agent properly, with resulting imminent harm to Company equipment, personnel, or the quality of service to other

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Customers, the Company, may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, the Company may, upon written notice, terminate the Customer's service without liability.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.1 Undertaking of the Company (Cont.)

2.1.4 Liability of the Company (Cont.)

2.1.4.15 The Company shall not be liable for any act or omission concerning the implementation of Presubscription, as defined herein.

2.1.4.16 With respect to Telecommunications Relay Service (TRS), any service provided by Company which involves receiving, translating, transmitting or delivering messages by telephone, text telephone, a telecommunications device for the deaf, or any other instrument over the facilities of Company or any connecting Carrier, Company's liability for the interruption or failure of the service shall not exceed an amount equal to the Company's charge for a one minute call to the called station at the time the affected calls was made.

2.1.5 Notification of Service Affecting Activities

The Company will provide the Customer reasonable notification of service-affecting activities that may occur in normal operation of its business. Such activities may include, but are not limited to, equipment or facilities additions, removals or rearrangements and routine preventative maintenance. Generally, such activities are not specific to an individual Customer but affect many Customers' services. No specific advance notification period is applicable to all service activities. The Company will work cooperatively with the Customer to determine the reasonable, notification requirements. With some emergency or unplanned service-affecting conditions, such as an outage resulting from cable damage, notification to the Customer may not be possible.

2.1.6 Provision of Equipment and Facilities

2.1.6.1 The Company shall use reasonable efforts to make available services to a Customer on or before a particular date, subject to the provisions of and compliance by the Customer with, the regulations contained in this tariff. The Company does not guarantee availability by any such date and shall not be liable for any delays in commencing service to any Customer.

2.1.6.2 The Company shall use reasonable efforts to maintain facilities and equipment that it furnishes to the Customer. The Customer may not, nor may the Customer permit others to, rearrange, disconnect, remove, attempt to repair or otherwise interfere with any of the facilities or equipment installed by the Company, except upon the written consent of the Company.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.1 Undertaking of the Company (Cont.)

2.1.6 Provisions of Equipment and Facilities (Cont.)

- 2.1.6.3 The Company may substitute, change or rearrange any equipment or facility at any time and from time to time, but shall not thereby alter the technical parameters of the service provided the Customer.
- 2.1.6.4 Equipment the Company provides or installs at the Customer Premises for use in connection with the services the Company offers shall not be used for any purpose other than that for which the Company provided it.
- 2.1.6.5 The Customer shall be responsible for the payment of service charges imposed on the Company by another entity, for visits to the Customer Premises when the service difficulty or trouble report results from the use of equipment or facilities provided by any party other than the Company, including but not limited to the Customer.
- 2.1.6.6 The Company shall not be responsible for the installation, operation, or maintenance of any Customer provided communications equipment. Where such equipment is connected to the facilities furnished pursuant to this tariff, the responsibility of the Company shall be limited to the furnishing of facilities offered under this tariff and to the maintenance and operation of such facilities. Notwithstanding the above, the Company shall not be responsible for:
- (a) the transmission of signals by Customer-provided equipment or for the quality of, or defects in, such transmission;
 - (b) the reception of signals by Customer-provided equipment; or
 - (c) network control signaling where such signaling is performed by Customer-provided network control signaling equipment.
- 2.1.6.7 The Company intends to work cooperatively with the Customer to develop network contingency plans in order to maintain maximum network capability following natural or man-made disasters which affect telecommunications services.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.1 Undertaking of the Company (Cont.)

2.1.6 Provisions of Equipment and Facilities (Cont.)

2.1.6.8 The Company reserves the reasonable right to assign, designate or change telephone numbers, any other call number designations associated with Access Services, or the Company serving central office prefixes associated with such numbers, when necessary in the conduct of its business.

2.1.7 Non-routine Installation

At the Customer's request, installation and/or maintenance may be performed outside the Company's regular business hours or in unusual locations. In such cases, charges based on cost of the actual labor, material, or other costs incurred by or charged to the Company will apply. If installation is started during regular business hours but, at the Customer's request, extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.1 Undertaking of the Company (Cont.)

2.1.8 Special Construction

Subject to the arrangement of the Company and to all of the regulations contained in this tariff, special construction of facilities may be undertaken on a reasonable efforts basis at the request of the Customer. Special construction is that construction undertaken and characterized by one or more of the following:

- (a) where facilities are not presently available and there is no other requirement for the facilities so constructed;
- (b) of a type other than that which the Company would normally utilize in the furnishing of its services;
- (c) where facilities are to be installed over a route other than that which the Company would normally utilize in the furnishing of its services;
- (d) where facilities are requested in a quantity greater than that which the Company would normally construct;
- (e) where installation is on an expedited basis;
- (f) on a temporary basis until permanent facilities are available;
- (g) installation involving abnormal costs; or
- (h) in advance of its normal construction schedules.

Special construction charges for Special and Switched Access Service will be determined as described in Sections 6.1.1 and 7.5.1, following.

2.1.9 Ownership of Facilities

Title to all facilities provided in accordance with this tariff remains in the Company, its agents, contractors or suppliers.

2.2 Prohibited Uses

- 2.2.1 The services the Company offers shall not be used for any unlawful purpose or for any use as to which the Customer has not obtained all required governmental approvals, authorizations, licenses, consents and permits.
- 2.2.2 The Company may require applicants for service who intend to use the Company's offerings for resale and/or for shared use to file a letter with the Company confirming that their use of the Company's offerings complies with relevant laws and PSC regulations, policies, orders, and decisions.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

- 2.2.3 The Company may require a Customer to immediately shut down its transmission of signals if said transmission is causing interference to others.

MCImetro ACCESS TRANSMISSION
SERVICES, INC.

South Dakota Tariff No. 2
ORIGINAL PAGE NO. 19

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.3 Obligations of the Customer

2.3.1 The Customer shall be responsible for:

- (a) the payment of all applicable charges pursuant to this tariff;
- (b) reimbursing the Company for damage to, or loss of, the Company's facilities or equipment caused by the acts or omissions of the Customer; or the noncompliance by the Customer with these regulations; or by fire or theft or other casualty on the Customer Premises, unless caused by the negligence or willful misconduct of the employees or agents of the Company. The Company will, upon reimbursement for damages to its facilities or equipment, cooperate with the Customer in prosecuting a claim against the person causing such damage and the Customer shall be subrogated in the Company's right of recovery of damages to the extent of such payment;
- (c) providing at no charge, as specified from time to time by the Company, any needed personnel, equipment, space, and power to operate Company facilities and equipment installed on the Customer Premises, and the level of heating and air conditioning necessary to maintain the proper operating environment on such Premises;
- (d) obtaining, maintaining, and otherwise having full responsibility for all rights-of-way and conduit necessary for installation of fiber optic cable and associated equipment used to provide Access Services to the Customer from the cable building entrance or property line to the location of the equipment space described in 2.3.1(c) above. Any costs associated with obtaining and maintaining the rights-of-way described herein, including the costs of altering the structure to permit installation of the Company-provided facilities, shall be borne entirely by, or may be charged by the Company to, the Customer. The Company may require the Customer to demonstrate its compliance with this subsection prior to accepting an order for service;
- (e) providing a safe place to work and complying with all laws and regulations regarding the working conditions on the Premises at which Company employees and agents shall be installing or maintaining the Company's facilities and equipment. The Customer may be required to install and maintain Company facilities and equipment within a hazardous area if, in the Company's opinion, injury or damage to the Company employees or property might result from installation or maintenance by the Company. The Customer shall be responsible for identifying, monitoring, removing, and disposing of any hazardous material (e.g. friable asbestos) prior to any construction or installation work;

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.3 Obligations of the Customer (Cont.)

2.3.1 The Customer shall be responsible for: (Cont.)

- (f) complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses, and permits as may be required with respect to, the location of Company facilities and equipment in any Customer Premises or the rights-of-way for which Customer is responsible for obtaining under Section 2.3.1(d) above; and granting or obtaining permission for Company agents or employees to enter the Customer Premises at any time for the purpose of installing, inspecting, maintaining, repairing, or upon termination of service as stated herein, removing the facilities or equipment of the Company; and
- (g) not creating or allowing to be placed or maintained any liens or other encumbrances on the Company's equipment or facilities.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.3 Obligations of the Customer (Cont.)

2.3.2 Claims

With respect to any service or facility provided by the Company; Customer shall indemnify, defend and hold harmless the Company from all claims, actions, damages, liabilities, costs, and expenses, including reasonable attorneys' fees for:

- (a) any loss, destruction or damage to property of the Company or any third party, or the death of or injury to persons, including, but not limited to employees or invitees of either the Company or the Customer, to the extent caused by or resulting from the negligent or intentional act or omission of the Customer, its employees, agents, representatives or invitees;
- (b) any claim, loss, damage, expense or liability for infringement of any copyright, patent, trade secret, or any proprietary or intellectual property right of any third party, arising from any act or omission by the Customer, including, without limitation, use of the Company's services and facilities in a manner not contemplated by the agreement between the Customer and the Company.

2.3.3 Jurisdictional Reporting

The jurisdictional reporting requirements will be as specified below. When a Customer orders Access Service, its projected Percent Interstate Usage (PIU) must be provided in whole numbers to the Company. These whole number percentages will be used by the Company to apportion the use and/or charges between interstate and intrastate until a revised report is received as set forth herein.

- 2.3.3.1 Originating Access: Originating access minutes may be based on traffic originating at the State, LATA or Local Switching Center level, provided that the traffic being measured is only traffic originating from the Company Local Switching Center(s). The Customer must provide the Company with a projected PIU factor on a quarterly basis, as specified below. Originating access minutes will be measured as follows, based on type of access:

- 2.3.3.1.1 For Feature Group D Switched Access Service(s), as defined in Section 5.2.1, where the Company can determine jurisdiction by it's call detail, the projected Percent Interstate Usage (PIU) will be developed by the Company on a monthly basis by dividing the measured interstate originating access minutes by the total originating access minutes.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.3 Obligations of the Customer (Cont.)

2.3.3 Jurisdictional Reporting (Cont.)

2.3.3.1 Originating Access (Cont.)

- 2.3.3.1.2 For Feature Group D with 950 Access, as defined in Section 5.5.3.1, the Customer must provide the Company with a projected PIU factor by supplying the Company with an interstate percentage of originating access minutes.
- 2.3.3.1.3 For 500, 700, 800, calling card and operator service access, the Customer must provide the Company with a projected PIU factor for each type of access. The Customer who provides a PIU factor shall supply the Company with an interstate percentage of originating access minutes.
- 2.3.3.1.4 If no PIU for originating minutes is submitted as specified herein, then the projected PIU will be set on a default basis of 50 percent interstate traffic and 50 percent intrastate traffic.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.3 Obligations of the Customer (Cont.)

2.3.3 Jurisdictional Reporting (Cont.)

- 2.3.3.2 Terminating Access: For Feature Group D Switched Access Service(s), the Customer must provide the Company with a projected PIU factor by supplying the Company with an interstate percentage of terminating access minutes on a quarterly basis, as described in Sections 2.3.3.4 below. If no projected PIU factor is submitted by the Customer, then the projected PIU will be set on a default basis of 50 percent interstate traffic and 50 percent intrastate traffic.
- 2.3.3.3 Except where the Company measured access minutes are used as set forth in 2.3.3.1 above, the Customer reported Projected PIU factor as set forth above will be used until the Customer reports a different projected PIU factor, as set forth below. The revised report will serve as the basis for future billing and will be effective on the next bill date.
- 2.3.3.4 Effective on the first of January, April, July and October of each year the Customer shall update its interstate and intrastate jurisdictional report. The Customer shall forward to the Company, to be received no later than 15 days after the first of each such month, a revised report showing the interstate and intrastate percentage of use for the past three months ending the last day of December, March, June and September, respectively, for each service arranged for interstate use, based solely on the traffic originating from or terminating to the Company Local Switching Center. The revised report will serve as the basis for the next three months billing and will be effective on the bill date for that service. If the Customer does not supply the reports for those services where reports are needed, the Company will assume the percentage to be the same as that provided previously. For those cases in which a quarterly report has never been received from the Customer, the Company will assume the percentages to be the same as those provided in the Access Service Request.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.3 Obligations of the Customer (Cont.)

2.3.3 Jurisdictional Reporting (Cont.)

- 2.3.3.5 Jurisdictional Reports Verification: For Switched Access Service, if a billing dispute arises or a regulatory commission questions the projected PIU factor, the Customer will provide the data issued to determine the projected PIU factor. The Customer will supply the data within 30 days of the Company request.

The Customer shall keep records of call detail from which the percentage of interstate and intrastate use can be ascertained and, upon request of the Company, shall make the records available for inspection as reasonably necessary for purposes of verification of the percentages. The Company reserves the right to conduct an audit at any time during the year. The Customer, at its own expense, has the right to retain an independent auditing firm.

For Special Access Service, if a billing dispute arises or a regulatory commission questions the projected PIU factor, the Company will ask the Customer to provide the data the Customer used to determine the certified interstate percentage. The Customer shall supply the data within 30 days of the Company request. The Customer shall keep records of system design and functions from which the percentage was determined, and, upon request of the Company, shall make the records available for inspection as reasonably necessary for purposes of verifications of the percentages.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.3 Obligations of the Customer (Cont.)

2.3.3 Jurisdiction Reporting (Cont.)

2.3.3.6 Determination of Jurisdiction of Mixed Use Special Access Service.

When an ASR is submitted for interstate and intrastate Special Access Service, the Customer will provide to the Company an estimate of whether the interstate traffic will comprise more than 10 percent or less than 10 percent of total traffic. For existing services, the Customer is required to certify the jurisdiction of its service.

(a) If the Customer estimates that the interstate traffic on the service involved constitutes 10 percent or less of the Customer's total traffic on that service, the service will be provided in accordance with the applicable rules and regulations of this tariff.

(b) If the Customer estimates that the interstate traffic on the service involved constitutes more than 10 percent of the Customer's total traffic on that service, the service will be provided in accordance with the applicable rules and regulations of MCImetro Access Transmission Services, Inc. Tariff F.C.C. No. 1.

2.4 Customer Equipment and Channels

2.4.1 In General

A Customer may transmit or receive information or signals via the facilities of the Company.

2.4.2 Station Equipment

2.4.2.1 The Customer is responsible for providing and maintaining any terminal equipment on the Customer Premises. The electric power consumed by such equipment shall be provided by, and maintained at the expense of, the Customer. All such terminal equipment must be registered with the FCC under 47 C.F.R., Part 68 and all wiring must be installed and maintained in compliance with those regulations. The Company will, where practicable, notify the Customer that temporary discontinuance of the use of a service may be required; however, where prior notice is not practicable, nothing contained herein shall be deemed to impair the Company's right to discontinue forthwith the use of a service temporarily if such action is reasonable under the circumstances. In case of such temporary discontinuance, the Customer will be promptly notified and afforded the opportunity to correct the condition which gave rise to the temporary discontinuance. During such period of temporary discontinuance, credit allowance for service interruptions as set forth in Section 2.6 following is not applicable.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.4 Customer Equipment and Channels (Cont.)

2.4.2 Station Equipment (Cont.)

- 2.4.2.2 The Customer is responsible for ensuring that Customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The magnitude and character of the voltages and currents impressed on Company-provided equipment and wiring by the connection, operation, or maintenance of such equipment and wiring shall be such as not to cause damage to the Company provided equipment and wiring or injury to the Company's employees or other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the Customer's expense.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.4 Customer Equipment and Channels (Cont.)

2.4.3 Interconnection of Facilities

2.4.3.1 Any special interface equipment necessary to achieve compatibility between the facilities and equipment of the Company used for furnishing Access Services and the Channels, facilities, or equipment of others shall be provided at the Customer's expense.

2.4.3.2 Access Services may be connected to the services or facilities of other communications carriers only when authorized by, and in accordance with, the terms and conditions of the tariffs of the other communications carriers which are applicable to such connections.

2.4.4 Inspections

2.4.4.1 Upon reasonable notification to the Customer, and at reasonable times, the Company may make such tests and inspections as may be necessary to determine that the Customer is complying with the requirements set forth in Section 2.4.2.2 for the installation, operation, and maintenance of Customer-provided facilities, equipment, and wiring in the connection of Customer-provided facilities and equipment to Company-owned facilities and equipment. No credit will be allowed for any interruptions occurring during such inspections.

2.4.4.2 If the protective requirements for Customer-provided equipment are not being complied with, the Company may take such action as it deems necessary to protect its facilities, equipment, and personnel. The Company will notify the Customer promptly if there is any need for further corrective action. Within ten days of receiving this notice, the Customer must take this corrective action and notify the Company of the action taken. If the Customer fails to do this, the Company may take whatever additional action is deemed necessary, including the suspension of service, to protect its facilities, equipment, and personnel from harm. The Company will, upon request 24 hours in advance, provide the Customer with a statement of technical parameters that the Customer's equipment must meet.

2.5 Payment Arrangements

2.5.1 Payment for Service

The Customer is responsible for payment of all charges for services and facilities furnished by the Company to the Customer or its Joint or Authorized Users.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.5 Payment Arrangements (Cont.)

2.5.1 Payment for Service (Cont.)

2.5.1.1 Taxes

The Customer is responsible for the payment of any sales, use, gross receipts, excise, access or other local, state and federal taxes, charges or surcharges (however designated) excluding taxes on the Company's net income imposed on or based upon the provision, sale or use of Access Services. All such taxes shall be separately designated on the Company's invoices. The Company will charge for the South Dakota gross receipts tax on the Company's invoice for Local Access Services. Any taxes imposed by a local jurisdiction (e.g., county and municipal taxes) will only be recovered from those Customers located in the affected jurisdictions. If an entity other than the Company (e.g., another carrier or a supplier) imposes charges on the Company, in addition to its own internal costs, in connection with a service for which the Company's Non-Recurring Charge is specified, those charges will be passed on to the Customer. It shall be the responsibility of the Customer to pay any such taxes that subsequently become applicable retroactively.

- 2.5.1.2 A surcharge is imposed on all charges for service originating at addresses in states which levy, or assert a claim of right to levy, a gross receipts tax on the Company's operations in any such state, or a tax on interstate access charges incurred by the Company for originating access to telephone exchanges in that state.¹ This surcharge is based on the particular state's receipts tax and other state taxes imposed directly or indirectly upon the Company by virtue of, and measured by, the gross receipts or revenues of the Company in that state and/or payment of interstate access charges in that state. The surcharge will be shown as a separate line item on the Customer's monthly invoice.

¹Pending the conclusion of any challenge to a jurisdiction's right to impose a gross receipts tax the Company may elect to impose and collect a surcharge covering such taxes, unless otherwise constrained by court order or direction, or it may elect not to impose and collect the surcharge. If it has collected a surcharge and the challenged tax is found to have been invalid and unenforceable, the Company, in its sole discretion, will either reduce service rates for a fixed period of time in the future in order to flow through to Customers an amount equivalent to the funds collected or it will credit or refund such amounts to affected Customers (less its reasonable administrative costs), if the funds collected were retained by the Company or if they were delivered over to the taxing jurisdiction and later returned to the Company, or negotiate an arrangement with the taxing jurisdiction that benefits Customers in the jurisdiction in the future.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.5 Payment Arrangements (Cont.)

2.5.2 Billing and Collection of Charges

Unless otherwise specified herein, bills are due and payable upon receipt.

The Company shall bill on a current basis all charges incurred by, and credits due to, the Customer under this tariff attributable to services established, provided, or discontinued during the preceding billing period.

2.5.2.1 Non-Recurring Charges are due and payable within 30 days after the invoice date. The Company shall present invoices for Non-Recurring Charges monthly to the Customer.

2.5.2.2 The Company shall present invoices for non-usage sensitive Recurring Charges monthly to the Customer, in advance of the month in which service is to be provided, and invoices for usage sensitive charges monthly to the Customer subsequent to the usage. Recurring and usage sensitive charges shall be due and payable within 30 days after the invoice date.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.5 Payment Arrangements (Cont.)

2.5.2 Billing and Collection of Charges (Cont.)

- 2.5.2.3 When service does not begin on the first day of the month, or end on the last day of the month, the charge for the fraction of the month in which service was furnished will be calculated on a pro-rata basis, based on the actual calendar month.
- 2.5.2.4 Billing of the Customer by the Company will begin on the Service Commencement Date. Billing accrues through and includes the day that the service, circuit, arrangement or component is discontinued.
- 2.5.2.5 For Switched Access Customers, for each month that the Customer pays the amount due within 30 days of the invoice date, the Customer shall receive a discount equal to 1 percent of the monthly charges for its Direct Connect (including Tandem Overflow) or Tandem Connect Service invoiced for that month (less charges for installation, taxes, tax-related surcharges and any other discounts). The discount shall be applied in the form of a credit on the Customer's subsequent month's invoice.
- For each month that the customer pays the amount due after 30 days from the invoice date, the tariffed rates shall apply.
- 2.5.2.6 Amounts not paid within 30 days after the date of invoice will be considered past due. If the Company becomes concerned at any time about the ability of a Customer to pay its bills, the Company may require that the Customer pay its bills within a specified number of days and make such payments in cash or the equivalent of cash.
- If a service is disconnected by the Company in accordance with Section 2.5.5 following and later restored, restoration of service will be subject to all applicable installation charges.
- 2.5.2.7 The Customer shall notify the Company of any disputed items on an invoice within 90 days of receipt of the invoice. If the Customer and the Company are unable to resolve the dispute to their mutual satisfaction, the Customer may file a complaint with the South Dakota Commission in accordance with the Commission's rules of procedures.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.5 Payment Arrangements (Cont.)

2.5.2 Billing and Collection of Charges (Cont.)

2.5.2.8 Ordering, Rating and Billing of Access Services Where More Than One Exchange Carrier is Involved.

All Recurring and Non-Recurring Charges for services provided by each Exchange Carrier are billed under each Company's applicable tariffs. Under a Meet Point Billing arrangement, the Company will only bill for charges for traffic carried between the Company Local Switching Center and the End User.

The multiple billing arrangement described in this section is subject to the provisions of the Multiple Exchange Carrier Access billing Guidelines (MECAB) and the Multiple Exchange Carrier Ordering and Design Guidelines (MECOD), except that the Company will not bill for local transport as described in MECAB. The Company will bill the Tandem Connect (as defined in Section 5.3.3.1.1) rate elements as specified in this Tariff.

The Company must notify the Customer of: 1) the meet point option that will be used; 2) the Carrier(s) that will render the bill(s); 3) the Carrier(s) to whom payment should be remitted; and 4) the Carrier(s) that will provide the bill inquiry function. The Company shall provide such notification at the time orders are placed for Access Service. Additionally, the Company shall provide this notice in writing 30 days in advance of any changes in the arrangement.

The Company will handle the ordering, rating and billing of Access Services under this tariff where more than one Exchange Carrier is involved in the provision of Access Services, as follows:

- (1) The Company must receive an order for Feature Group D (FGD) Switched Access Service, as defined herein, ordered to the Company's Local Switching Center through a switch operated by another Exchange Carrier.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.5 Payment Arrangements (Cont.)

2.5.2 Billing and Collection of Charges (Cont.)

2.5.2.8 Ordering, Rating and Billing of Access Services Where More Than One Exchange Carrier is Involved (Cont.)

- (2) In addition, for FGD Switched Access Service ordered to the Company's Local Switching Center through a switch operated by another Exchange Carrier with whom the Company has an agreement, the Customer may be required to submit an order as specified by the Exchange Carrier which operates the switch.
- (3) Separate bills will be rendered by the Exchange Carrier for FGD access service.
- (4) Rating and Billing of Service: Each company will provide its portion of access service based on the regulations, rates and charges contained in its respective Access Service tariff, subject to the following rules, as appropriate:
 - (a) The application of non-distance sensitive rate elements varies according to the rate structure and the location of the facilities involved:
 - (i) when rates and charges are listed on a per minute basis, the Company's rates and charges will apply to traffic originating from the Customer's Premises and terminating at the End User's premises, and vice versa.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.5 Payment Arrangements (Cont.)

2.5.3 Advance Payments

For Special Access Service, to safeguard its interests, the Company may require a Customer to make an Advance Payment before services and facilities are furnished. The Advance Payment will not exceed an amount equal to the Non-Recurring Charge(s) and one month's estimated usage charges for the service or facility. In addition, where special construction is involved, the Advance Payment may also include an amount equal to the estimated Non-Recurring charges for the special construction and Recurring Charges (if any) for a period to be set by agreement between the Company and the Customer. The Advance Payment will be credited to the Customer's initial bill. An Advance Payment may be required in addition to a deposit.

2.5.4 Deposits

2.5.4.1 Applicants for service or existing Customers whose financial condition is not acceptable to the Company, or is not a matter of general knowledge, may be required at any time to provide the Company a security deposit. The deposit requested will be in cash or the equivalent of cash, and will be held as a guarantee for the payment of charges. A deposit does not relieve the Customer of the responsibility for the prompt payment of bills on presentation. The deposit will not exceed an amount equal to:

- (a) two months' charges for a service or facility which has a minimum payment period of one month; or
- (b) the charges that would apply for the minimum payment period for a service or facility which has a minimum payment period of more than one month; except that the deposit may include an additional amount in the event that a termination charge is applicable. In addition, the Company shall be entitled to require such an applicant or Customer to pay all its bills within a specified period of time, and to make such payments in cash or the equivalent of cash. At the Company's option, such deposit may be refunded to the Customer's account at any time. Also, the Company reserves the right to cease accepting and processing Service Orders after it has requested a security deposit and prior to the Customer's compliance with this request.

2.5.4.2 A deposit may be required in addition to an advance payment.

2.5.4.3 Deposits held will accrue interest at the fixed rate specified by the South Dakota Commission.

2.5.4.4 The charges set forth in this tariff for Channel terminations contemplate installations made in normal locations and under normal working conditions. Any installations to be made under other circumstances are subject to additional charges.

2.5.4.5 When a service or facility is discontinued, the amount of a deposit, if any, will be applied to the Customer's account and any credit balance

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

remaining will be refunded. Before the service or facility is discontinued, the Company may, at its option return the deposit or credit the Customer's account.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.5 Payment Arrangements (Cont.)

2.5.5 Refusal and Discontinuance of Service

2.5.5.1 Upon nonpayment of any amounts owing to the Company, the Company may, by giving requisite prior written notice to the Customer, discontinue or suspend service without incurring any liability.

2.5.5.2 Upon violation of any of the other material terms or conditions for furnishing service the Company may, by giving 30 days' prior notice in writing to the Customer, discontinue or suspend service without incurring any liability if such violation continues during that period.

2.5.5.3 Upon condemnation of any material portion of the facilities used by the Company to provide service to a Customer or if a casualty renders all or any material portion of such facilities inoperable beyond feasible repair, the Company, by notice to the Customer, may discontinue or suspend service without incurring any liability.

2.5.5.4 Upon the Customer's insolvency, assignment for the benefit of creditors, filing for bankruptcy or reorganization, or failing to discharge an involuntary petition within the time permitted by law, the Company may immediately discontinue or suspend service without incurring any liability.

2.5.5.5 Upon any governmental prohibition, or required alteration of the services to be provided or any violation of an applicable law or regulation, the Company may immediately discontinue service without incurring any liability.

2.5.5.6 Upon the Company's discontinuance of service to the Customer under Section 2.5.5.1 or 2.5.5.2 above, the Company, in addition to all other remedies that may be available to the Company at law or in equity or under any other provision of this tariff, may declare all future monthly and other charges which would have been payable by the Customer during the remainder of the term for which such services would have otherwise been provided to the Customer to be immediately due and payable.

2.5.5.7 When Access Service is provided by more than one Company, the companies involved in providing the joint service may individually or collectively deny service to a Customer for nonpayment. Where the Company(s) affected by the nonpayment is incapable of effecting discontinuance of service without cooperation from the other joint providers of Switched Access Service, such other Company(s) will, if technically feasible, assist in denying the joint service to the Customer. Service denial for such joint service will only include calls originating or terminating within, or transiting, the operating territory of the Company initiating the service denial for nonpayment. When more than one of the joint providers must deny service to effectuate termination for nonpayment, in cases where a conflict exists in the applicable tariff

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

provisions, the tariff regulations of the company whose Local Switching Center serves the Customer shall apply for joint service discontinuance.

MCImetro ACCESS TRANSMISSION
SERVICES, INC.

South Dakota Tariff No. 2
ORIGINAL PAGE NO. 29

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.5 Payment Arrangements (Cont.)

2.5.5 Refusal and Discontinuance of Service (Cont.)

2.5.5.8 The Company may discontinue the furnishings of any and/or all service(s) to a Customer, without incurring any liability:

2.5.5.8.1 Immediately and without 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. The Company may discontinue service pursuant to this sub-section 2.5.5.8.1 (a-f), if

- (a) 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); or
- (b) The Customer provides false information to the Company regarding the Customer's identity, address, credit-worthiness, past or current use of Common Carrier communications services, or its planned use of the Company's service(s); or
- (c) The Customer states that it will not comply with a request of the Company for security for the payment for service(s) in accordance with Section 2.5.4.1 above; or
- (d) The Customer has been given written notice by the Company of any past due amount (which remains unpaid in whole or in part) for any of the Company's other Common Carrier communications services to which the Customer either subscribes or had subscribed or used; or
- (e) The Customer uses service to transmit a message, locate a person or otherwise give or obtain information without payment for the service; or

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.5 Payment Arrangements (Cont.)

2.5.5 Refusal and Discontinuance of Service (Cont.)

2.5.5.8 The Company may discontinue the furnishings of any and/or all service(s) to a Customer, without incurring any liability: (Cont.)

2.5.5.8.1 (Cont.)

- (f) The Customer uses, or attempts or use, service with the intent to void the payment, either in whole or in part, of the tariffed charges for the service by:
 - (1) Using or attempting to use service by rearranging, tampering with, or making connections to the Company's service not authorized by this tariff; or
 - (2) Using tricks, schemes, false or invalid numbers, false credit devices, electronic devices; or
 - (3) Any other fraudulent means or devices; or

2.5.5.8.2 Immediately upon written notice to the Customer of any sum thirty (30) days past due;

2.5.5.8.3 Immediately upon written notice to the Customer, after failure of the Customer to comply with a request made by the Company for security for the payment of service in accordance with Section 2.5.4.1, above; or

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.5 Payment Arrangements (Cont.)

2.5.5 Refusal and Discontinuance of Service (Cont.)

2.5.5.8 (Cont.)

2.5.5.8.4 Seven (7) days after sending the Customer written notice of noncompliance with any provision of this tariff if the noncompliance is not corrected within that seven (7) day period. The discontinuance of service(s) by the Company pursuant to this Section does not relieve the Customer of any obligation to pay the Company for charges due and owing for service(s) furnished up to the time of discontinuance.

2.5.5.9 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.

2.5.6 Cancellation of Application for Service

2.5.6.1 Applications for service are noncancellable unless the Company otherwise agrees. Where the Company permits the Customer to cancel an application for service prior to the start of service or prior to any special construction, no charges will be imposed except as may be specified in this Section and Section 3.2.3.

2.5.6.2 Where, prior to cancellation by the Customer, the Company incurs any expenses in installing the service or in preparing to install the service that it otherwise would not have incurred, a charge equal to the costs the Company incurred, less net salvage, shall apply, but in no case shall this charge exceed the sum of the charge for the minimum period of services ordered, including installation charges, and all charges others levy against the company that would have been chargeable to the Customer had service begun.

2.5.6.3 The special charges described in 2.5.6.1 through 2.5.6.2 will be calculated and applied on a case-by-case basis.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.6 Allowances for Interruptions in Service

Interruptions in service which are not due to the negligence of or noncompliance with the provisions of this tariff by, the Customer or the operation or malfunction of the facilities, power, or equipment provided by the Customer, will be credited to the Customer as set forth in 2.6.1 for the part of the service that the interruption affects.

2.6.1 Credit for Interruptions

2.6.1.1 A credit allowance will be made when an interruption occurs because of a failure of any component furnished by the Company under this tariff. An interruption period begins when the Customer reports a service, facility or circuit, to be interrupted and releases it for testing and repair. An interruption period ends when the service, facility, or circuit is operative. If the Customer reports a service, facility or circuit to be inoperative but declines to release it for testing and repair, it is considered to be impaired, but not interrupted.

2.6.1.2 For calculating credit allowances, every month is considered to have 30 days. A credit allowance is applied on a pro-rata basis against the rates specified hereunder and is dependent upon the length of the interruption. Only those facilities on the interrupted portion of the circuit will receive a credit.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.6 Allowances for Interruptions in Service (Cont.)

2.6.1 Credit for Interruptions (Cont.)

- 2.6.1.3 Except as otherwise provided for herein, for Special Access Service, a credit allowance will be given for interruptions of 15 minutes or more. Credit allowances shall be calculated as follows:

Interruptions of 24 Hours or Less

<u>Length of Interruption</u>	<u>Interruption Period To Be Credited</u>
Less than 15 minutes	None
15 minutes up to but not including 3 hours	1/10 Day
3 hours up to but not including 6 hours	1/5 Day
6 hours up to but not including 9 hours	2/5 Day
9 hours up to but not including 12 hours	3/5 Day
12 hours up to but not including 15 hours	4/5 Day
15 hours up to but not including 24 hours	One Day

Two or more interruptions of 15 minutes or more during any one 24-hour period shall be considered as one interruption for the combined duration of all the interruptions.

Interruptions Over 24 Hours but Less Than 72 Hours. Interruptions over 24 hours but less than 72 hours will be credited 1/5 day for each 3-hour period or fraction thereof. However, no more than one full day's credit will be allowed for any period of 24 hours.

Interruptions Over 72 Hours. Interruptions over 72 hours will be credited 2 days for each full 24-hour period. However, no more than 30 days credit will be allowed for any one month period.

- 2.6.1.4 For Switched Access Service, no credit will be allowed for an interruption of less than 24 hours. After the first 24 hour period, a credit equal to 1/30 of the Direct Connect facilities charges will be

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

applied to each interruption which is in excess of twelve hours and up to 24 hours.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.6 Allowances for Interruptions in Service (Cont.)

2.6.2 Limitations on Allowances

No credit allowance will be made for:

- (a) interruptions due to the negligence of, or noncompliance with the provisions of this tariff by, the Customer, Authorized User, Joint User, or other Common Carrier providing service connected to the service of Company;
- (b) interruptions due to the negligence of any person other than the Company, including, but not limited to, the Customer or other Common Carriers connected to the Company's facilities;
- (c) interruptions due to the failure or malfunction of non-Company equipment;
- (d) interruptions of service during any period in which the Company is not given full and free access to its facilities and equipment for the purpose of investigating and correcting interruptions;
- (e) interruptions of service during a period in which the Customer continues to use the service on an impaired basis;
- (f) interruptions of service during any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements;
- (g) interruption of service due to circumstances or causes beyond the control of the Company.

2.6.2.1 Use of Alternative Service Provided by the Company: Should the Customer elect to use an alternative service provided by the Company during the period that a service is interrupted, the Customer must pay the tariffed rates and charges for the alternative service used.

2.6.3 Cancellation For Service Interruption

Cancellation or termination for service interruption is permitted only if any circuit experiences a single continuous outage of 8 hours or more or cumulative service credits equaling 16 hours in a continuous 12-month period. The right to cancel service under this provision applies only to the single circuit which has been subject to the outage or cumulative service credits.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

2. REGULATIONS (Cont.)

2.7 Cancellation of Service

- 2.7.1 If a Customer cancels services before the completion of the term for any reason whatsoever other than a service interruption (as defined in Section 2.6.1 above), the Customer agrees to pay to the Company the following sums which shall become due and owing as of the effective date of the cancellation or termination and shall be payable within the period set forth in Section 2.5.2: all costs, fees, and expenses reasonably incurred in connection with 1) all Non-Recurring Charges reasonably expended by Company to establish service to Customer, plus 2) any disconnection, early cancellation or termination charges reasonably incurred and paid to third parties by Company on behalf of Customer, plus 3) all Recurring Charges specified in the applicable Tariff for the balance of the then current term.

The terms and conditions specified in Section 3.2.3 will apply for cancellation of an Access Service Request.

2.8 Transfers and Assignments

Neither the Company nor the Customer may assign or transfer its rights or duties in connection with the services and facilities provided by the Company without the written consent of the other party, except that the Company may assign its rights and duties (a) to any subsidiary, parent Company or affiliate of the Company (b) pursuant to any sale or transfer of substantially all the assets of the Company; or pursuant to any financing, merger or reorganization of the Company.

2.9 Notices and Communications

- 2.9.1 The Customer shall designate on the Service Order an address to which the Company shall mail or deliver all notices and other communications, except that the Customer may also designate a separate address to which the Company's bills for service shall be mailed.
- 2.9.2 The Company shall designate on the Service Order an address to which the Customer shall mail or deliver all notices and other communications, except that the Company may designate a separate address, on each bill for service, to which the Customer shall mail payment on that bill.
- 2.9.3 All notices or other communications required to be given pursuant to this tariff shall be in writing. Notices and other communications of either party, and all bills mailed by the Company, shall be presumed to have been delivered to the other party on the third business day following deposit of the notice, communication, or bill with the U.S. Mail or a private delivery service, prepaid and properly addressed, or when actually received or refused by the addressee, whichever occurs first.
- 2.9.4 The Company or the Customer shall advise the other party of any changes to the addresses designated for notices, other communications or billing, by following the procedures for giving notice set forth herein.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

3. ORDERING OPTIONS FOR SWITCHED AND SPECIAL ACCESS SERVICE

- 3.1 General: This section sets forth the regulations and order related charges for Access Service Requests (ASR) for Switched and Special Access Service, as defined in this tariff. These charges are in addition to other applicable charges set forth in other sections of this tariff.

- 3.1.1 Ordering Conditions: All services offered under this tariff will be ordered using an ASR. The format and terms of the ASR will be as specified in the industry Access Service Order Guidelines, unless otherwise specified herein. A Customer may order any number of services of the same type and between the same Premises on a single ASR. All details for services for a particular order must be identical.

The Customer shall provide all information necessary for the Company to provide and bill for the requested service. When placing an order for Access Service, the Customer shall provide the following minimum information:

- a. Customer name and Premise(s) address(es);
- b. Billing name and address (when different from Customer name and address)
- c. Customer contact name(s) and telephone number(s) for the following provisioning activities: order negotiation, order confirmation, interactive design, installation and billing.

The order date (Application Date) is the date on which the Company receives a firm commitment and sufficient information from the Customer to allow processing of the ASR. The Customer is advised of the critical events in the provisioning process, the Application Date, the Plant Test Date and the Service Commencement Date, at the time the Company gives the Customer a Firm Order Confirmation (FOC). The FOC is forwarded to the Customer within 2 business days after the date on which all information needed to process the ASR has been received by the Company.

- 3.1.2 Provision of Other Services: Unless otherwise specified herein, all services offered under this tariff shall be ordered with an ASR. With the agreement of the Company, other services may subsequently be added to the ASR at any time, up to and including the service date for the Access Service. When added subsequently, charges for a Design Change as set forth in Section 7.4.2 will apply when an engineering review is required.

Additional Engineering is not an ordering option, but will be applied to an ASR when the Company determines that Additional Engineering is necessary to accommodate a Customer request. Additional Engineering will be provided by the Company at the request of the Customer only when a Customer requests additional technical information after the Company has already provided the technical information included on the Design Layout Report as set forth herein. The Customer will be notified when Additional Engineering is required, and will be furnished with a written statement setting forth the justification for the Additional Engineering as well as an estimate of the charges. If the Customer agrees to the Additional Engineering, a firm order will be established. If the

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Customer does not want the service or facilities after being notified by the Company that Additional Engineering is required, the Customer may cancel the order and no charges will apply. Once a firm order has been established, the total charge to the Customer for the Additional Engineering may not exceed the original estimated amount by more than 10 percent.

MCImetro ACCESS TRANSMISSION
SERVICES, INC.

South Dakota Tariff No. 2
ORIGINAL PAGE NO. 35

ACCESS SERVICES

3. ORDERING OPTIONS FOR SWITCHED AND SPECIAL ACCESS SERVICE (Cont.)

3.2 Access Order

An ASR is required by the Company to provide a Customer both Switched and Special Access Service, as described herein. An ASR will be required for each new similar service arrangement or group of common circuits.

When a Customer requests new or additional Switched Access Service, one or more ASR's may be required. The number of orders required is dependent on the type of services and/or facilities being requested.

When placing an order for either Direct Connect Service or Tandem Connect Service, as described in Sections 5.2.3.1.1 and 5.2.3.1.2, respectively, the Customer shall provide all standard ASR ordering information as specified in industry guidelines. The Customer will also be required to provide this information to order additional service for an existing service type. For new Customers ordering Tandem Connect Service, the Customer will only be required to complete an ASR for installation of new service.

3.2.1 Access Service Date Intervals: Access Service is provided with one of the following Service Date intervals:

- Standard Interval
- Negotiated Interval

The Company will specify a FOC and the Service Commencement Date contingent on the ASR being complete as received. To the extent the Access Service can be made available with reasonable effort, the Company will provide the Access Service in accordance with the Customer's requested interval, subject to the following conditions:

3.2.1.1 Standard Interval: The Standard Interval for Switched and Special Access Service will be 10 business days from the Application Date. This interval only applies to standard service offerings for a Customer which is On-Net and at locations where there are pre-existing facilities to the Customer Premises. Access Services provided under the Standard Interval will be installed during Company business hours.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

3. ORDERING OPTIONS FOR SWITCHED AND SPECIAL ACCESS SERVICE (Cont.)

3.2 Access Order (Cont.)

3.2.1 Access Service Date Intervals (Cont.)

3.2.1.2 Negotiated Interval: The Company will negotiate a Service Date interval with the Customer when:

- 1) The Customer requests a Service Date before or beyond the applicable Standard Interval Service Date; or
- 2) There is no existing facility connecting the Customer Premises with the Company; or
- 3) The Customer requests a service that is not considered by the Company to be a standard service offering (for example, if Additional Engineering is required to complete the order); or
- 4) The Company determines that Access Service cannot be installed within the Standard Interval.

The Company will offer a Service Date based on the type and quantity of Access Services the Customer has requested. The Negotiated Interval may not exceed by more than six months the Standard Interval Service Date, or, when there is no Standard Interval, the Company offered Service Date.

All services for which rates are applied on an Individual Case Basis are provided with a Negotiated Interval.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

3. ORDERING OPTIONS FOR SWITCHED AND SPECIAL ACCESS SERVICE (Cont)

3.2 Access Order (Cont.)

- 3.2.2 Access Service Request Modifications: The Customer may request a modification of its ASR prior to the Service Commencement Date. All modifications must be in writing using the industry ASR process. The Company, in its sole discretion, may accept a verbal modification from the Customer. The Company will make every effort to accommodate a requested modification when it is able to do so with the normal work force assigned to complete such an order within normal business hours. Charges for access service order modification will apply as set forth below, on a per occurrence basis.

Any increase in the number of Special Access Service Channels, Switched Access Service lines, Trunks, Direct Connect transport facilities, Out of Band Signaling connections or any change in engineering or functionality of a service will be treated as a new ASR with a new Service Date interval.

- 3.2.2.1 Service Commencement Date Changes: ASR service dates for the installation of new services or rearrangement of existing services may be changed, but the new service date may not exceed the original Service Commencement Date by more than 30 calendar days. When, for any reason, the Customer indicates that service cannot be accepted for a period not to exceed 30 calendar days, and the Company accordingly delays the start of service, a Service Date Change Charge will apply. In addition, when the Customer submits a request for a Service Date Change that is less than five business days from the date of notification by the Customer, a Service Date Change Charge and an Expedite Charge will apply. No Expedite Charge will apply if the Customer requests a Service Date Change that is more than 5 business days from the date of request by the Customer but earlier than the original requested Service Commencement Date.

If the Customer requested service date is more than 30 calendar days after the original service date, the order will be cancelled by the Company on the 31st day. Appropriate cancellation charges will be applied. If the Customer still requires the service, the Customer must place a new ASR with the Company.

The Service Date Change Charge will apply on a per order, per occurrence basis for each service date changed. The applicable charges are set forth in Section 7.4.2.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

3. ORDERING OPTIONS FOR SWITCHED AND SPECIAL ACCESS SERVICE (Cont.)

3.2 Access Order (Cont.)

3.2.2 Access Service Request Modifications (Cont.)

3.2.2.2 Design Change Charge: The Customer may request a Design Change to the service ordered. A Design Change is any change to an ASR which requires Engineering Review. An Engineering Review is a review by Company personnel of the service ordered and the requested changes to determine what change(s) in the design, if any, are necessary to meet the Customer's request. Design Changes include such changes as the addition or deletion of optional features or functions, a change in the type of Transport Termination (Switched Access only) or type of Channel interface. Any other changes are not considered Design Changes for purpose of this subsection and will require issuance of a new ASR and the cancellation of the original ASR with appropriate cancellation charges applied.

The Design Change Charge will apply on a per order, per occurrence basis, for each order requiring a Design Change. The applicable charges, as set forth in Section 7.4.2, are in addition to any Service Date Change Charges that may apply.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

3. ORDERING OPTIONS FOR SWITCHED AND SPECIAL ACCESS SERVICE (Cont.)

3.2 Access Order (Cont.)

3.2.2 Access Service Order Modifications (Cont.)

- 3.2.2.3 **Expedited Order Charge:** When placing an Access Order for service(s) for which a Standard Interval exists, a Customer may request a Service Commencement Date that is earlier than the Standard Interval Service Date, in which case an Expedite Charge will apply. The Expedite Charge will not apply if the new Service Commencement Date is more than five days from the date of the request to the Company of the expedited order request. The request for an earlier service date may be received from the Customer prior to its issuance of an ASR, or after the ASR has been issued but prior to the service date. The Company has the exclusive right to accept or deny the Expedite Order request. However if, upon reviewing availability of equipment and scheduled work load, the Company agrees to provide service on an expedited basis and the Customer accepts the Company's proposal, an Expedite Charge will apply.

If the Company is subsequently unable to meet an agreed upon expedited service date, then the Expedite Charge will not apply.

In the event the Company provides service on an expedited basis on the Customer's request, and the Customer delays service or is not ready for delivery of service at the time of installation, a Service Date Change Charge will apply in addition to the Expedite Charge.

In the event that the Customer cancels an expedite request, the Expedite Charge will be added to any applicable Cancellation Charge specified herein.

In the event that the Customer requests a Service Date Change after the Company has received the original expedite request, the Expedite Charge will still apply.

An Expedite Charge will not be applied to orders expedited for Company reasons.

If costs other than additional administrative expenses are to be incurred when the Access Order is expedited, the regulations and charges for Special Construction as set forth in this tariff will apply.

The Expedited Order Charge will apply on a per order, per occurrence basis, as specified in Section 7.4.2.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

3. ORDERING OPTIONS FOR SWITCHED AND SPECIAL ACCESS SERVICE (Cont.)

3.2 Access Order (Cont.)

- 3.2.3 Cancellation of an Access Service Request: A Customer may cancel an ASR for the installation of Switched Access Service at any time prior to notification by the Company that service is available for the Customer's use. The cancellation date is the date the Company receives written or verbal notice from the Customer that the order is to be cancelled. The verbal notice must be followed by written confirmation within 10 days. A Customer may negotiate an extension of a service date of an ASR for installation of new services or rearrangement of existing service, in which case a Service Date Change Charge will apply. However, the new service date cannot exceed the originally established service date by more than 30 calendar days. On the 31st day beyond the original service date, the ASR will be cancelled and the appropriate Cancellation Charge will be applied.

Except as stated herein, Cancellation Charges will apply as specified in Section 7.4.3.

If the cancellation occurs prior to the Company's receiving the ASR, no charges shall apply.

A Customer may cancel an ASR for the installation of Special Access Service without incurring a charge at any time prior to the acceptance of a Negotiated Interval Service Date by the Customer. Cancellation Charges will apply for Special Access Service if the Customer cancels more than 48 hours after the Application Date. Cancellation Charges for Expedited Orders will be applied for any order cancelled from the Application Date forward.

If the Company misses a service date for a Standard or Negotiated Interval Access Order by more than 30 days due to circumstances such as acts of God, governmental requirements, work stoppages and civil commotions, the Company shall not be liable for such delay and the Customer may cancel the ASR without incurring cancellation charges.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

3. ORDERING OPTIONS FOR SWITCHED AND SPECIAL ACCESS SERVICE (Cont.)

3.2 Access Order (Cont.)

3.2.4 **Minimum Period of Service:** The minimum period for which Access Service is provided and for which charges are applicable is one month.

3.2.4.1 The following changes will be treated as a discontinuance of the existing service and a request for installation of a new service. All associated Non-Recurring Charges will apply for the new service, and a new minimum period will be established:

- (1) A change in the identity of the Customer of record;
- (2) A move by the Customer to a different building;
- (3) A change in type of service;
- (4) A change in Switched Access Service Interface (i.e., DS1 or DS3);
- (5) A change in Switched Access Service Traffic Type;
- (6) A change in type of Special Access Service Channel Termination;
- (7) A change from 2-point to multipoint Special Access Service.

3.2.4.2 When Access Service is disconnected prior to the expiration of the minimum period, charges are applicable for the balance of the minimum period. The Minimum Period Charge for monthly billed services will be determined as follows:

For Switched Access Service, the charge for a month or fraction thereof is the applicable minimum monthly charge for the capacity made available to the Customer.

For Special Access Service facilities, the charge for a month or fraction thereof is the applicable monthly charge for the service as set forth in this tariff.

All applicable Non-Recurring Charges for the service will be billed in addition to the Minimum Period Charge.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

3. ORDERING OPTIONS FOR SWITCHED AND SPECIAL ACCESS SERVICE (Cont.)

3.2 Access Order (Cont.)

3.2.4 Minimum Period of Service (Cont.)

3.2.4.2 When Access Service is disconnected prior to the expiration of the minimum period, charges are applicable for the balance of the minimum period. The Minimum Period Charge for monthly billed services will be determined as follows:

For Switched Access Service, the charge for a month or fraction thereof is the applicable minimum monthly charge for the capacity made available to the Customer.

For Special Access Service facilities, the charge for a month or fraction thereof is the applicable monthly charge for the service as set forth in this tariff.

All applicable Non-Recurring Charges for the service will be billed in addition to the Minimum Period Charge.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

4. SPECIAL ACCESS SERVICE

4.1 General

Special Access Service consists of any of the services offered hereunder, either individually or in combination. Each service is offered independently of all others.

4.2 Transmission Service

4.2.1 Transmission Service is offered via the Company's facilities for the transmission of one-way and two-way communications.

4.2.2 Digital Channels over the Company's Network are furnished for full duplex transmission of digital signals at operating speeds as follows:

2.4 Kbps
4.8 Kbps
9.6 Kbps
19.2 Kbps
56.0 Kbps
64.0 Kbps (DS-0)
1.544 Kbps (DS-1)
44.736 Mbps (DS-3)

Digital Channels operating at speeds other than those listed above may be provided at the Company's option on an Individual Case Basis (ICB). The rates for the operating speeds outlined above are described in Section 6.2.

4.2.3 Digital Channels furnished by the Company at 1.544 Mbps, interconnections to such Channels and equipments interfacing to such Channels shall meet the following characteristics:

Line Rate: 1.544 Mbps + 130 ppm

Line Code 1: Bipolar (Alternate Mark)
Inversion

Line Code 2: Bipolar 8 zero substitution
(BBZS)

Line Impedance: 100 ohms + 5% balanced

Jitter: The multiplexer will add not more than 0.3 time slot
of rms jitter to a DS-1 signal when looped at the
DS-3 point.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

4. SPECIAL ACCESS SERVICE (Cont.)

4.2 Transmission Service (Cont.)

- 4.2.4 Digital Channels furnished by the Company at 44.736 Mbps, interconnections to such Channels and equipment interfacing to such Channels shall meet the following technical characteristics:

Line Rate: 44.736 Mbps + 20 ppm

Line Code: Bipolar with three-zero
substitution (B3ZS)

Line Impedance: 75 ohms ($\pm$) 5 percent unbalanced

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

5. SWITCHED ACCESS SERVICE

5.1 General

Switched Access Service, which is available to Customers for their use in furnishing their services to End Users, provides a two point communications path between a Customer's Premises and an End User's Premises. It provides for the use of common terminating, switching and transport facilities. Switched Access Service provides the ability to originate calls from an End User's Premises to a Customer's Premises, and to terminate calls from a Customer's Premises location to an End User's Premises.

Rates and charges are set forth in Section 7.6. The application of rates for Switched Access Service is described in Section 7.4.

5.2 Provision and Description of Switched Access Service Arrangements

Switched Access Service is provided in the following service type:

5.2.1 Feature Group D (FGD) Access

FGD Access, which is available to all Customers, is provisioned at the DS1 level and provides trunk-side access to Company Local Switching Center switches, with an associated uniform 10XXX Access Code, where available, for the Customer's use in originating and terminating communications. Basic FGD service will be provided with Multi-Frequency In Band Signaling (SS7 is also available as a Common Switching Option for Feature Group D). In addition, Conventional Signaling for direct Carrier Trunk groups is available at the Customer's option. End Users of the Customer's service may also originate calls to certain FGD Access Customers without dialing the 10XXX Access Code if the End User is presubscribed, as described herein.

The Access Code for FGD switching is a uniform Access Code of the form 10XXX. A single Access Code will be the assigned number of all FGD access provided to the Customer by the Company. No Access Code is required for calls to a Customer over FGD Switched Access Service if the End User's telephone exchange service is arranged for Presubscription to that Customer, as set forth herein.

Where no Access Code is required, the number dialed by the Customer's End User shall be a seven or ten digit number for calls in the North American Numbering Plan (NANP), except for 00- dialed calls which are routed to the predesignated Customer. For international calls outside the NANP, a seven to twelve digit number may be dialed. The form of the numbers dialed by the Customer's End User is NXX-XXXX, 0 or 1 + NXX-XXXX, NPA + NXX-XXX, 0 or 1 + NPA + NXX-XXXX, and, when the Local Switching Center is equipped for International Direct Distance Dialing (IDDD), 01 + CC + NN or 011 + CC + NN.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

5. SWITCHED ACCESS SERVICE (Cont.)

5.2 Provision and Description of Switched Access Service Arrangements (Cont.)

5.2.1 Feature Group D (FGD) Access (Cont.)

When the 10XXX Access Code is used, FGD switching also provides for dialing the digit 0 for access to the Customer's operator, 911 for access to the Company's emergency service, or the end-of-dialing digit (#) for cut-through access to the Customer's Premises.

In addition, End Users may originate calls by dialing the 950-XXXX Access Code specific to a particular Interexchange Carrier, provided that the Interexchange Carrier has subscribed to the Company's Feature Group D with 950 Access Common Switching Optional Feature. If the End User is presubscribed to that Interexchange Carrier, no Access Code is necessary.

5.2.2 Manner of Provision

Trunks used for Switched Access Service may be configured for one-way (either originating only or terminating only) or for two-way directionality. It is the Customer's responsibility to order a sufficient number of trunks of each type in order to meet its desired grade of service objective. At the Customer's request, the Company will assist the Customer in sizing Switched Access Trunk groups.

5.2.3 Rate Categories

The following rate categories apply to Switched Access Service:

- A. Direct Connect
- B. Tandem Connect
- C. 800 Data Base Access Service
- D. Optional Features

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

5. SWITCHED ACCESS SERVICES (Cont.)

5.2 Provision and Description of Switched Access Service Arrangements (Cont.)

5.2.3 Rate Categories (Cont.)

5.2.3.1 Except as stated as follows, Tandem Connect Service is provided in conjunction with the tandem provider serving the area. Charges are computed in accordance with Section 2.5.2.7 preceding (Ordering, Rating, and Billing of Access Services Where More Than One Exchange Telephone Company is Involved).

5.2.3.1.1 Direct Connect: The Company will provide Direct Connect between the Customer's Premises and the Company's Local Switching Center switch(es). This transmission path is Dedicated to the use of a single Customer. DS1 and DS3 facilities are available for Direct Connect Service. A DS1 facility is capable of transmitting electrical signals at a nominal 1.544 Mbps, with the capability to channelize up to 24 voice frequency transmission paths. A DS3 facility is capable of transmitting electrical signals at a nominal 44.736 Mbps, with the capability to channelize up to 672 voice-frequency transmission paths. For DS3 facilities, if the Company is required to install additional fiber optic equipment for the benefit of the Customer, then the Customer has the option to choose either an optical or electrical interface.

The Customer must order Direct Connect under one of two rate options:

Option 1: This Direct Connect rate category is comprised of a monthly facilities charge and a per minute of use charge.

Option 2: This Direct Connect rate category is comprised of three rate elements: 1) Termination Charge; 2) Network Charge; and 3) Local Switching Center Charge. In addition, where applicable, a monthly facilities charge will apply.

Termination Charge: Provides for the electronics in the building and any inside wiring and/or multiplexing.

Network Charge: Provides for the use of the Company's Network.

Local Switching Center Charge: Provides for the use of Company switching equipment to complete the

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

4142.267

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

5. SWITCHED ACCESS SERVICES (Cont.)

5.2 Provision and Description of Switched Access Service Arrangements (Cont.)

5.2.3 Rate Categories (Cont.)

5.2.3.1 (Cont.)

- 5.2.3.1.2 Tandem Connect: Tandem Connect consists of circuits from the Customer's tandem provider to the Company's Local Switching Center.

The Customer must order Tandem Connect under one of two rate options:

Option 1: This Tandem Connect rate category is comprised of a Minutes of Use (MOU) based charge.

Option 2: This Tandem Connect rate category is comprised of three rate elements: 1) Termination Charge; 2) Network Charge; and 3) Local Switching Center Charge, as described in Section 5.2.3.1.1, above.

5.2.3.1.3 800 Data Base Access Service

800 Data Base Access Service is a service offering utilizing originating Trunk side Switched Access Service. When an 800 + NXX + XXXX call is originated by an End User, the Company will perform Customer identification based on screening of the full ten-digits of the 800 number to determine the Customer location to which the call is to be routed.

The 800 Data Base charge, which consists of a single, fixed rate element, applies on a per query basis.

5.2.3.1.4 Switched Access Service Optional Features

- 5.2.3.1.4.1 Nonchargeable Optional Features: Where transmission facilities permit, the Company will, at the option of the Customer, provide the following nonchargeable optional feature, as described in Section 5.5.1, in association with Switched Access Service.

(a) Supervisory Signaling

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

5. SWITCHED ACCESS SERVICES (Cont.)

5.2 Provision and Description of Switched Access Service Arrangements (Cont.)

5.2.3 Rate Categories (Cont.)

5.2.3.1 (Cont.)

5.2.3.1.4 Switched Access Service Optional Features (Cont.)

5.2.3.1.4.2 Chargeable Optional Features: Where transmission facilities permit, the Company will, at the option of the Customer, provide the following chargeable optional features, as described in Section 5.5.2, in association with Switched Access Service.

(a) 800 Data Base Access Service Basic Query

(b) Signaling Transfer Point Access

5.2.3.1.4.3 Feature Group D Optional Features

Following are the various optional features that are available in lieu of, or in addition to, the standard features provided with Feature Group D. Optional features are provided as Common Switching Optional Features as described in Section 5.5.3.1.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

5. SWITCHED ACCESS SERVICES (Cont.)

5.2 Provision and Description of Switched Access Service Arrangements (Cont.)

5.2.3 Rate Categories (Cont.)

5.2.3.1 (Cont.)

5.2.3.1.4 Optional Features (Cont.)

5.2.3.1.4.3 Feature Group D Optional Features (Cont.)

5.2.3.1.4.3.1

Common Switching
Optional Features: At
the Customer's option,
the following standard
features are available at
the rates specified in
Section 7.4.7.1:

- a) Alternate Traffic Routing
- b) Automatic Number
Identification (ANI)
- c) Cut-Through
- d) Service Class Routing
- e) Feature Group D with
950 Access
- f) Signaling System Seven
(SS7)
- g) Basic Initial Address
Message Delivery
- h) Called Directory Number
Delivery
- i) Flexible Automatic
Number Identification
Delivery

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

5. SWITCHED ACCESS SERVICES (Cont.)

5.2 Provision and Description of Switched Access Service Arrangements (Cont.)

- 5.2.4 Billing Validation Service: The Company shall arrange to have its billing validation data stored in one of the existing Line Information Databases (LIDB). It will be the responsibility of the Customer to identify this database through established industry procedures and to query the billing validation data in the LIDB. Based on the received query information, the LIDB will respond with an SS7 formatted confirmation of validity or denial for the requested billing option. Access to LIDB provides Customers with potential toll fraud detection.

The LIDB will contain a record for every working line number and Billed Number Group served by the Company.

The Company will update the LIDB information on a daily basis.

LIDB service is provided on an on-line, call-by-call basis. Company data accessed from the LIDB shall remain the sole property of the Company and may not be stored or reproduced by the Customer for any reason.

The Company will have procedures in place to deactivate billing validation data in the event that it is being used fraudulently.

- 5.2.5 Design Layout Report: At the request of the Customer, the Company will provide to the Customer the makeup of the facilities and services provided from the Customer's Premises to the first point of switching. This information will be provided in the form of a Design Layout Report. The Design Layout Report will be provided to the Customer at no charge.
- 5.2.6 Acceptance Testing: At no additional charge, the Company will, at the Customer's request, cooperatively test, at the time of installation, the following parameters: loss, C-notched noise, C-message noise, 3-tone slope, d.c. continuity and operational signaling.
- 5.2.7 Ordering Options and Conditions: Access Service is ordered under the Access Order provisions set forth in Section 3.2. Also included in that section are other charges which may be associated with ordering Switched Access Service.
- 5.2.8 Competitive Pricing Arrangements: Competitive pricing arrangements for Local Transport-Entrance Facilities and Local Transport-Direct Trunked Transport can be furnished to meet the communication needs of specific customers on a case by case basis under individual contract.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

5. SWITCHED ACCESS SERVICES (Cont.)

5.3 Obligations of Company

In addition to the obligations of the Company set forth in other sections of this tariff, the Company has certain other obligations concerning the provision of Switched Access Service. These obligations are as follows:

5.3.1 Network Management

The Company will administer its Network to ensure the provision of acceptable service levels to all telecommunications users of the Company's Network Services. Generally, service levels are considered acceptable only when both End Users and Customers are able to establish connections with little or no delay encountered within the Company Network. The Company reserves the right to apply protective controls, (i.e., those actions, such as call gapping, which selectively cancel the completion of traffic), over any traffic carried over its Network, including that associated with a Customer's Switched Access Service. Generally, such protective measures would only be taken as a result of occurrences such as failure or overload of Company or Customer facilities, natural disasters, mass calling or national security demands. The Customer will notify the Company of anticipated peaked services as stated below. Based on the information provided, the Company will work cooperatively with the Customer to determine the appropriate level of control. In the event that the protective controls applied by the Company result in the complete loss of service by the Customer, the Customer will be granted a credit allowance for service interruption as set forth in 2.6.

When a Customer uses the Company's facilities to offer services for which a substantial call volume or peaked service is expected during a short period of time, the Customer must notify the Company at least 24 hours in advance of each peak period. For events scheduled during weekends or holidays, the Company must be notified no later than 5:00 p.m. local time the prior business day. Notification should include the nature, time, duration, and frequency of the event, an estimated call volume, and the NPA NXX and line number(s) to be used. On the basis of the information provided, the Company may invoke network management controls if required to reduce the probability of excessive Network congestion. The Company will work cooperatively with the Customer to determine the appropriate level of such control. Failure to provide prescribed notification may result in Customer caused Network congestion, which could result in discontinuance of service under Section 5.5 and/or damages under Section 2.1.4.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

5. SWITCHED ACCESS SERVICES (Cont.)

5.4 Obligations of the Customer

In addition to obligations specified elsewhere in this tariff, the Customer has certain specific obligations pertaining to the use of Switched Access Service, as follows:

- 5.4.1 Report Requirements: When a Customer orders Switched Access Service for both interstate and intrastate use, the Customer is responsible for providing Jurisdictional Reports as set forth in Section 2.3.3 preceding. Charges will be apportioned in accordance with those reports. The method to be used for determining the intrastate charges is set forth therein.
- 5.4.2 Supervisory Signaling: The Customer's facilities at the premises of the ordering Customer shall provide the necessary On-Hook, Off-Hook answer and disconnect supervision.
- 5.4.3 Design of Switched Access Services: It is the Customer's responsibility to assure that sufficient Access Services have been ordered to handle its traffic.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

5. SWITCHED ACCESS SERVICES (Cont.)

5.5 Switched Access Optional Features: Following are descriptions of the various optional features that are available in lieu of, or in addition to, the standard features provided with the Feature Groups for Switched Access Service.

5.5.1 Nonchargeable Optional Feature

(a) Supervisory Signaling: Where the transmission parameters permit, and where signaling conversion is required by the Customer to meet its signaling capability, the Customer may order an optional supervisory signaling arrangement in the form of Multi-frequency (MF) Signaling for each transmission path.

5.5.2 Chargeable Optional Features

(a) 800 Data Base Access Service: The Customer will be charged a per query charge based on a query of the 800-NXX-XXXX dialed and/or delivered to the Customer in conjunction with 800 Data Base Access Service.

(b) Signaling Transfer Point Access: The Customer will be charged a per mile charge and a per port charge for access to a specialized switch which provides SS7 network access and performs SS7 messaging routing and screening. If a Customer is connected to a third party SS7 service provider, an additional charge, as specified in Section 7.4.5.2 will apply.

5.5.3 Feature Group D Optional Features

5.5.3.1 Common Switching Optional Features

a) Alternate Traffic Routing: This option provides the capability of directing originating traffic from a Local Switching Center to a direct access Trunk group, with additional traffic overflowing to the access tandem Trunk group and then to a Customer designated Premises. Multiple Customer Premises Alternate Routing is also available where originating traffic from a Local Switching Center is directed via a Trunk group to a Customer designated Premises until that group is fully loaded, and then additional originating traffic from the same Local Switching Center or access tandem is delivered via a different Trunk group to a second Customer designated Premise. The Customer shall specify the last Trunk CCS desired for the high use group.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

5. SWITCHED ACCESS SERVICES (Cont.)

5.5 Switched Access Optional Features: (Cont.)

5.5.3 Feature Group D Optional Features (Cont.)

5.5.3.1 Common Switching Optional Features (Cont.)

b) Automatic Number Identification (ANI): This option provides the automatic in-band transmission signaling of a seven or ten digit number and information digits to the Customer's Premises for calls originating in the LATA for the identification of the calling station. The ANI feature is a Local Switching Center software function which is associated on a call-by-call basis with: 1) all individual transmission paths in a trunk group routed directly between a Local Switching Center and a Customer's Premises; or where technically feasible, 2) all individual transmission paths in a Trunk group between a Local Switching Center and an Access Tandem, and a Trunk group between an Access Tandem and a Customer's Premises.

The ten-digit ANI telephone number is only available with Feature Group D. The ten-digit ANI telephone number consists of the Numbering Plan Area (NPA) plus the seven digit ANI telephone number. The ten-digit ANI telephone number will be transmitted on all calls except those identified as multi-party line or ANI failure, in which case only the NPA will be transmitted.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

5. SWITCHED ACCESS SERVICES (Cont.)

5.5 Switching and Terminating Optional Features (Cont.)

5.5.3 Feature Group D Optional Features (Cont.)

5.5.3.1 Common Switching Optional Features (Cont.)

c) Cut Through: This option allows End Users of the Customer to reach the Customer's Premises by using the end of dialing digit (#) at the end of the dialing sequence. The Company will not record any other dialed digits for these calls.

d) Service Class Routing: This option provides the capability of directing originating traffic from a Local Switching Center to a Trunk group to a Customer designated Premises, based on the line class of service and service prefix indicator. A domestic Interexchange Carrier may not order more than four different routes per Local Switching Center or Access Tandem. An international Interexchange Carrier may order up to four additional routes.

e) Feature Group D with 950 Access: This option provides for the routing of originating calls, dialed using a 950-10XX or 950-1XXX Access Code, to the FGD Customer using FGD signaling protocols and technical specifications. The Customer is responsible for distinguishing between standard FGD calls and 950-dialed calls delivered over the same trunks.

f) Signaling System Seven (SS7): This option provides out of band transmission of SS7 protocol signaling information between the Local Switching Center switching system and the Customer's designated Premises. Prior to installation of any SS7 circuits, the Customer must agree to participate in SS7 certification testing. The Company will provide a testing plan to the Customer, and reserves the right to deny SS7 connectivity if the Customer's circuits do not meet the testing requirements.

g) Basic Initial Address Message Delivery: This option permits the following optional SS7 signaling call setup parameters: User Service Information, Called Party Number, Calling Party Number, Charge Number, Originating Line Information, Transit Network Selection, Carrier Selection, Service Code and Access Transport.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

5. SWITCHED ACCESS SERVICES (Cont.)

5.5 Switching and Terminating Optional Features (Cont.)

5.5.3 Feature Group D Optional Features (Cont.)

5.5.3.1 Common Switching Optional Features (Cont.)

h) Called Directory Number Delivery: This option provides the Customer with the telephone number to which the call was directed. The seven or ten digit number is provided as part of the in-band transmission with MF signaling. The Called Directory Number Delivery feature is associated on a call-by-call basis with all individual transmission paths in a Trunk group routed from an Access Tandem or the originating Local Switching Center. This option is available except when FGD is provided with 950 access or Cut-Through features.

i) Flexible Automatic Number Identification Delivery: This feature is a network enhancement to ANI. The feature is available on inbound signaling or in the Originating Line Information Parameter in the Basic Initial Address Message Delivery optional feature for SS7 signaling. Flexible ANI will provide additional values for Information Indicator (II) digits that are associated with various classes of service not associated with the standard ANI digits. This feature may only be used in conjunction with ANI. The following Information Indicator codes are available: Confinement/Detention Facility; Outward Wide Area Telecommunications Service; Cellular Service; Private Pay Station; and, Access for Private Virtual Networks.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

6. SPECIAL ACCESS RATES

6.1 Special Construction

6.1.1 Basis for Rates and Charges

Rates and charges for special construction will be determined by the Company on an Individual Case Basis and based, in part, on the costs incurred by the Company and may include (1) non-recurring type charges, (2) recurring type charges, (3) termination liabilities, or (4) combinations thereof.

6.1.2 Termination Liability

To the extent that there is no other requirement for use by the Company, a termination liability may apply for facilities specially constructed at the request of the Customer.

6.1.2.1 The termination liability period is the initial service term with respect to said specially constructed facilities.

6.1.2.2 The amount of the maximum termination liability is equal to the rates and charges established pursuant to 6.1.1 above:

6.1.2.3 The applicable termination liability charge is based on the normal method for calculating the unpaid balance of a term obligation. The amount of such charge is obtained by multiplying the sum of the amounts determined as set forth in Section 6.1.2.2 preceding by a factor related to the unexpired period of liability and the discount rate for return and contingencies. This product is adjusted to reflect applicable taxes.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

6. SPECIAL ACCESS RATES (Cont.)

6.2 Transmission Service

6.2.1 General

Rates are composed of three elements which may apply to a Customer's service, depending upon the specific service requested and its location.

6.2.1.1 The Channel termination rate element provides for the termination of the communications path at the Customer designated location. One Channel termination charge applies for each Customer designated location at which a Channel is terminated.

6.2.1.2 The Channel mileage rate element is determined by the Vertical, and Horizontal Coordinates ("V&H") method, as set forth on the National Exchange Carrier Association Tariff, F.C.C. No.4. When the calculation results in a fraction of a mile, the total is rounded up to the next whole mile before applying the rate.

6.2.1.3 Optional Features for which charges are applied only include multiplexing.

6.2.2 Voice Grade Service

There are two types of Voice Grade Services. The service is compatible with either 2-wire ground start and loop start equipment or 4-wire E/M signaling equipment. 4-wire supports analog data transmission speeds of up to 19.2 Kbps. The rates for Voice Grade Channels as described in 4.2.2 preceding are as follows:

6.2.2.1 This service consists of making Voice Grade capacity available on a Dedicated access basis.

6.2.2.2 Voice Grade Service Rates

	<u>Recurring Per Month</u>
Channel Termination, per point of termination	
- 2-wire voice/analog data	ICB
- 4-wire voice/analog data	ICB
Channel Mileage	
- fixed	ICB
- per mile	ICB
	<u>Installation</u>
Channel Termination, per point of termination	
- 2-wire voice/analog data	ICB

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

- subsequent, same location

ICB

- 4-wire voice/analog data

ICB

MCImetro ACCESS TRANSMISSION
SERVICES, INC.

South Dakota Tariff No. 2
ORIGINAL PAGE NO. 51

ACCESS SERVICES

6. SPECIAL ACCESS RATES (Cont.)

6.2 Transmission Service (Cont.)

6.2.3 Digital Data Services

Digital Data Service is provided at transmission rates of 2.4, 4.8, 9.6, 19.2, 56 and 64 Kbps.

6.2.3.1 This service consists of making DS-0 capacity available on a Dedicated access basis.

6.2.3.2 Digital Data Rates

Recurring
Per Month

Channel Termination,
per point of termination

2.4 Kbps	ICB
4.8 Kbps	ICB
9.6 Kbps	ICB
19.2 Kbps	ICB
56.0 Kbps	ICB
64.0 Kbps	ICB

Subsequent, same location

2.4 Kbps	ICB
4.8 Kbps	ICB
9.6 Kbps	ICB
19.2 Kbps	ICB
56.0 Kbps	ICB
64.0 Kbps	ICB

6.2.4 Fractional T-1 Service

Fractional T-1 is an unchannelized DS-1, available at intermediate Bit rates, in increments of either 56 Kbps or 64 Kbps, e.g. 128 Kbps, 256 Kbps, 384 Kbps, 512 Kbps, and 768 Kbps, and can be tailored to meet individual Customer requirements.

6.2.4.1 Fractional T-1 Rates

Recurring
Per Month

Channel Termination,
per point of termination
Subsequent, same location

ICB
ICB

Channel Mileage

- fixed
- per mile

ICB
ICB

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Installation

Channel Termination,
per point of termination
Subsequent, same location

ICB
ICB

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

6. SPECIAL ACCESS RATES (Cont.)

6.2 Transmission Service (Cont.)

6.2.5 DS-1 Service

DS-1 Service is a digital transmission facility of 1.544 Mbps with a capacity of up to 24 analog or digital Channels. This service supports voice, analog data, digital data, and video.

6.2.5.1 This service consists of making DS-1 capacity available on a Dedicated access basis.

6.2.5.2 DS-1 Rates

	<u>Recurring</u> <u>Per Month</u>
Channel Termination	
per point of termination	ICB
Subsequent, same location	ICB
Channel Mileage	
- fixed	ICB
- per mile	ICB
Optional Features	
- multiplexing DS-1 to Voice	ICB
- multiplexing DS-1 to Digital Data	ICB

Installation

Channel Termination	
per point of termination	ICB
Subsequent, same location	ICB

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

6. SPECIAL ACCESS RATES (Cont.)

6.2 Transmission Service (Cont.)

6.2.6 DS-3 Service

DS-3 Service is a digital transmission facility of 44.736 Mbps with a capacity of 28 DS-1 Channels or 672 Voice, Analog Data or Digital Data Channels.

6.2.6.1 This service consists of making DS-3 capacity available on a Dedicated access basis.

6.2.6.2 DS-3 Rates

Recurring
Per Month

Channel Termination, per point of termination	ICB
Subsequent, same location	ICB

Channel Mileage	
- fixed	ICB
- per mile	ICB

Optional Features	
- multiplexing DS-1 to DS-3	ICB

Installation

Channel Termination, per point of termination	ICB
Subsequent, same location	ICB

Channel Mileage	
- fixed	ICB
- per mile	ICB

Optional Features	
- multiplexing, DS-3 to DS-1	ICB

6.2.7 Service Calls

When a Customer reports trouble to the Company for clearance and no trouble is found in the Company facilities, the Customer may be responsible for payment of a charge calculated from the time Company personnel are dispatched to the Customer Premise until the work is completed.

6.2.7.1 Service Call Charge Rates

Per hour rate, per technician	ICB
----------------------------------	-----

6.2.8 Individual Case Basis Arrangements

When the Company furnishes a facility or service for which a rate or charge is not specified in the Company's tariffs, charges will be determined on an Individual Case

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

7. SWITCHED ACCESS RATES

This section contains the specific regulations governing the rates and charges that apply for Switched Access Services:

7.1 There are three types of rates and charges that apply to Switched Access Service. These are monthly Recurring Charges, usage rates and Non-Recurring Charges.

7.1.1 Monthly Recurring Charges: Monthly Recurring Charges are flat rates for facilities that apply each month or fraction thereof that a specific rate element is provided.

7.1.2 Usage Rates: Usage rates are rates that are applied on a per access minute or per query basis. Usage rates are accumulated over a monthly period.

7.1.3 Non-Recurring Charges: Non-Recurring charges are one time charges that apply for a specific work activity (i.e., installation of new service or change to an existing service).

7.1.3.1 Installation of Service: Non-Recurring charges apply to each Switched Access Service installed. The charge is applied per line or Trunk.

7.2 Application of Rates

7.2.1 Direct Connect: The Direct Connect Option 1 rate is assessed based on the total of the monthly facilities charge and the monthly usage charge. The monthly facilities charge consists of a fixed rate based on the type of the facilities, i.e., DS1 or DS3, and a per mile rate. The monthly facilities charge will not apply when the Customer's Point of Presence is On-Net. The fixed rate and the per mile rate for Off-Net Customer's will be calculated on an Individual Case Basis.

The Direct Connect Option 2 rate is assessed based on the total of the Termination Charge, Network Charge and the Local Switching Center Charge in addition to any applicable monthly facility charge. Except for the facility charge, each of these components is based on a per minute rate structure.

The Tandem Overflow rates will apply, based on the option chosen, for all Direct Connect usage which overflows to the Access Tandem.

Rates and charges for Direct Connect and Tandem Overflow are set forth in Sections 7.4.4.1 and 7.4.4.1.1, respectively.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

7. SWITCHED ACCESS RATES (Cont.)

7.2 Application of Rates (Cont.)

7.2.2 Tandem Connect: The Tandem Connect Option 1 rate is assessed on a per minute of use basis and is applicable to all tandem routed Switched Access Service minutes of use. The rate will vary based on whether the traffic is originating or terminating. Rates and charges are set forth in Section 7.4.4.2 following.

The Tandem Connect Option 2 rate is assessed based on the total of the Termination Charge, Network Charge and Local Switching Center Charge. Each of these components is based on a per minute rate structure.

Rates and charges for Tandem Connect are set forth in Section 7.4.4.2.

7.2.3 800 Number Translation Charge: The 800 Number Translation Charge applies for the translation of a specific 800 number to a ten digit telephone number on a per query basis.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

7. SWITCHED ACCESS RATES (Cont.)

7.3 Billing of Access Minutes: When recording originating calls over FGD with multifrequency address signaling, usage measurement begins when the first wink supervisory signal is forwarded from the Customer's facilities. The measurement of originating call usage over FGD ends when the originating FGD entry switch receives disconnect supervision from either the originating End User's Local Switching Center (indicating that the originating End User has disconnected), or the Customer's facilities, whichever is recognized first by the entry switch. 7.3

For terminating calls over FGD with multifrequency address signaling, the measurement of access minutes begins when a seizure signal is received from the Carrier's Trunk group at the Point of Presence within the LATA. The measurement of terminating call usage over FGD ends when a disconnect signal is received, indicating that either the originating or terminating user has disconnected.

When recording originating calls over FGD with SS7 signaling, usage measurement begins with the transmission of the initial address message by the switch for direct Trunk groups and with the receipt of an exit message by the switch for tandem Trunk groups. The measurement of originating FGD usage ends when the entry switch receives or sends a release message, whichever occurs first.

For terminating calls over FGD with SS7 signaling, the measurement of access minutes begins when the terminating recording switch receives the initial address message from the terminating End User. On directly routed Trunk groups or on tandem routed Trunk groups, the Company switch receives the initial address message and sends the indication to the Customer in the form of an answer message. The measurement of terminating FGD call usage ends when the entry switch receives or sends a release message, whichever occurs first.

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

7. SWITCHED ACCESS RATES (Cont.)

7.4 Rates and Charges

7.4.1 Service Implementation

A. Installation Charge (Per Trunk)

DS-1 DS-3

On-Net

N/A N/A

Off-Net

ICB ICB

7.4.2 Change Charges (per order)

Per Occurrence

A. Service Date \$X.XX

B. Design Changes \$X.XX

C. Expedite Charge \$XXX.XX

7.4.3 Cancellation Charges (Per Order) \$X.XX

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

7. SWITCHED ACCESS RATES (Cont.)

7.4 Rates and Charges (Cont.)

7.4.4 Switched Access

7.4.4.1 Direct Connect Charges:

Option 1:

Facility Charge:

Per DS1

On-Net

N/A

Off-Net

Charges for DS1 are determined on an Individual Case Basis.

Per DS3

On-Net

N/A

Off-Net

Charges for DS3 are determined on an Individual Case Basis.

Per Minute Charge:

	Per Access Minute of Originating Use	Per Access Minute of Terminating Use
On-Net	\$X.XXXXXX	\$X.XXXXXX
Off-Net	\$X.XXXXXX	\$X.XXXXXX

Option 2: In addition to the charges listed below, for Off-Net Customers, the Direct Connect facility charge specified in Section 7.4.4.1 will also apply:

Per Access Minute of Originating Use:

CITY, STATE:	Termination Charge	Network Charge	Local Switching Center Charge
On-Net	\$X.XXXXXX	\$X.XXXXXX	\$X.XXXXXX
Off-Net	\$X.XXXXXX	\$X.XXXXXX	\$X.XXXXXX

Per Access Minute of Terminating Use:

CITY, STATE:	Termination Charge	Network Charge	Local Switching Center Charge
On-Net	\$X.XXXXXX	\$X.XXXXXX	\$X.XXXXXX
Off-Net	\$X.XXXXXX	\$X.XXXXXX	\$X.XXXXXX

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

7. SWITCHED ACCESS RATES (Cont.)

7.4 Rates and Charges (Cont.)

7.4.4 Switched Access

7.4.4.1 Direct Connect Charges:

7.4.4.1.1 Tandem Overflow

Option 1:		
	Per Access Minute of Originating Use	Per Access Minute of Terminating Use
On-Net	\$X.XXXXXX	\$X.XXXXXX
Off-Net	\$X.XXXXXX	\$X.XXXXXX

Option 2:

Per Access Minute of Originating Use:

	Termination Charge	Network Charge	Local Switching Center Charge
CITY, STATE:			
On-Net	\$X.XXXXXX	\$X.XXXXXX	\$X.XXXXXX
Off-Net	\$X.XXXXXX	\$X.XXXXXX	\$X.XXXXXX

Option 2:

Per Access Minute of Terminating Use:

	Termination Charge	Network Charge	Local Switching Center Charge
CITY, STATE:			
On-Net	\$X.XXXXXX	\$X.XXXXXX	\$X.XXXXXX
Off-Net	\$X.XXXXXX	\$X.XXXXXX	\$X.XXXXXX

7.4.4.2 Tandem Connect Charges

Option 1:

	Per Access Minute of Originating Use	Per Access Minute of Terminating Use
On-Net	\$X.XXXXXX	\$X.XXXXXX
Off-Net	\$X.XXXXXX	\$X.XXXXXX

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

7. SWITCHED ACCESS RATES (Cont.)

7.4 Rates and Charges (Cont.)

7.4.4 Switched Access (Cont.)

7.4.4.2 Tandem Connect Charges (Cont.)

Option 2:

Per Access Minute of Originating Use:

	Termination Charge	Network Charge	Local Switching Center Charge
CITY, STATE:			
On-Net	\$X.XXXXXX	\$X.XXXXXX	\$X.XXXXXX
Off-Net	\$X.XXXXXX	\$X.XXXXXX	\$X.XXXXXX

Option 2:

Per Access Minute of Terminating Use:

	Termination Charge	Network Charge	Local Switching Center Charge
CITY, STATE:			
On-Net	\$X.XXXXXX	\$X.XXXXXX	\$X.XXXXXX
Off-Net	\$X.XXXXXX	\$X.XXXXXX	\$X.XXXXXX

7.4.5 Chargeable Optional Features

7.4.5.1 800 Data Base Access Service Basic Query

Per Query
\$X.XXXX

7.4.5.2 Signaling Transfer Point Access

Monthly Per Mile	Non-Recurring Per Port	Via Third Party
ICB	ICB	ICB

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

7. SWITCHED ACCESS RATES (Cont.)

7.4 Rates and Charges (Cont.)

7.4.4 Switched Access (Cont.)

7.4.6 Nonchargeable Optional Features

Supervisory Signaling	\$X.XX
-----------------------	--------

7.4.7 Feature Group D Optional Features

7.4.7.1 Common Switching Optional Features

Alternate Traffic Routing	\$X.XX
Automatic Number Identification	\$X.XX
Cut Through	\$X.XX
Service Class Routing	\$X.XX
Feature Group D with 950 Access	\$X.XX
Signaling System Seven (SS7)	\$X.XX
Basic Initial Address Message Delivery	\$X.XX
Called Directory Number Delivery	\$X.XX
Flexible Automatic Number Identification Delivery	\$X.XX

Issued:

Effective:

Randee Kindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

ACCESS SERVICES

7. SWITCHED ACCESS RATES (Cont.)

7.5 Special Construction

7.5.1 Basis for Rates and Charges

Rates and charges for Switched Access Special Construction are the same as rates and charges for Special Access Service and are specified in Section 6.1.1 and 6.1.2 preceding.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

ACCESS SERVICES

8. BILLING NAME AND ADDRESS

Billing Name and Address (BNA) provides the billing name and address of an end user who has an Automatic Number Identification recorded by the customer (interexchange carriers, operator service providers, enhanced service providers and any other provider of interstate telecommunications services) for telecommunications services rendered by the customer to its end user. The receipt of this information will allow the customer to provide its own billing to end users who may not have established a formal relationship with the customer.

BNA is provided for the sole purpose of permitting the Customer to bill its telephonic communications services to its end users and may not be resold or used for any other purpose, including marketing activity such as market surveys or direct marketing by mail or by telephone. The Customer may not use BNA information to bill for merchandise, gift certificates, catalogs or other services or products.

01. UNDERTAKING OF THE COMPANY

- A. All requests for information will be by facsimile.
- B. The Company will specify the format in which requests are to be submitted.
- C. The BNA information will be provided for the calling number furnished to the extent a billing name and address exists in the Company's records. BNA information will not be provided for those end users who have requested that their BNA not be disclosed for collect and bill to third party calls.
- D. The Company will provide the most current BNA information resident in its data base. Due to normal end user account activity, there may be instances where the BNA information provided is not the BNA that was applicable at the time the message originated.

02. OBLIGATIONS OF THE CUSTOMER

- A. With each order for BNA Service, the customer shall identify the authorized individual, the address, and or the facsimile to receive the BNA information.
- B. The customer shall institute adequate internal procedure to ensure that BNA information, including that related to "confidential" non-published and non-listed telephone numbers, is used only for the purpose set forth in this tariff and that BNA information is available only to those customer personnel or agents with a need to know the information.
- C. The customer shall not publicize or represent to others that the Company jointly participates with the customer in the development of the customer's end user records, accounts, data bases or market data, records files and data bases or other systems it assembles through the use of BNA Service.

03. USAGE RATES

Billing Name and Address (BNA) Customers will be assessed a per record rate for each BNA record requested. This rate is billed to the customer on a monthly basis. The BNA per record rate applies regardless of whether the requested telephone number is available in the telephone Company's information database.

Issued:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

Effective:

.031 Per Request Rate

\$x.xx

Issued:

Effective:

Randee Klindworth
Tariff Administrator
201 Spear Street, Ninth Floor
San Francisco, CA 94105

LAW OFFICE OF
MAY, ADAM, GERDES & THOMPSON
WARREN W. MAY - THOMAS C. ADAM
DAVID A. GERDES - CHARLES M. THOMPSON
ROBERT B. ANDERSON - BRENT A. WILBUR
PIERRE, SD 57501

110303

DATE March 5, 1997

78-53
914

PAY TO THE ORDER OF S.D. Public Utilities Commission

\$ 250.00



BankWest
Pierre, South Dakota 57501
605-224-0822

250.00
DOLLARS

FOR

⑈ 110303⑈ ⑈ 091400538⑈ 0063804870⑈

LAW OFFICES
MAY, ADAM, GERDES & THOMPSON LLP
503 SOUTH PIERRE STREET
P.O. BOX 160

PIERRE, SOUTH DAKOTA 57501-0160

GLENN W. MARTENS 1961-1963
KARL GOLDSMITH 1965-1986
WARREN H. MAY
THOMAS C. ADAM
DAVID A. GERDES
CHARLES H. THOMPSON
ROBERT B. ANDERSON
BRENT A. WILBUR
TIMOTHY M. ENGEL
MICHAEL F. SHAW

March 11, 1997

TELEPHONE
605.224.8803
TELECFAX
605.224.8889

E-Mail
dag@magt.com

RECEIVED

MAR 12 1997

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

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

RE: MCIMETRO APPLICATION FOR CERTIFICATE OF AUTHORITY
Docket No: TC97-022
Our file: 0175.26

Dear Bill:

As I mentioned in my earlier letter when I filed this application for certificate of authority, I am enclosing herewith the original of the verification for the application. Please substitute this in the original application for the faxed page that was filed on Friday. Thank you for your assistance.

Yours truly,

MAY, ADAM, GERDES & THOMPSON LLP

Dave

BY:

DAG:mw

Enclosure

LAW OFFICES
MAY, ADAM, GERDES & THOMPSON LLP
503 SOUTH PIERRE STREET
P.O. BOX 160
PIERRE, SOUTH DAKOTA 57501-0160

GLENN W. MARTENS (BB)1983
KARL GOLDSMITH (BB)1986
HARRIS W. MAY
THOMAS C. ADAM
DAVID A. GERDES
CHARLES M. THOMPSON
ROBERT K. ANDERSON
BRENT A. WILBUR
TIMOTHY M. ENGEL
MICHAEL F. SHAW

TELEPHONE
605.224.0803
TELEFAX
605.224.6289
E-MAIL
dag@magt.com

March 13, 1997

RECEIVED

MAR 13 1997

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

HAND DELIVERED

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

RE: MCIMETRO APPLICATION FOR CERTIFICATE OF AUTHORITY
Docket No: TC97-022
Our file: 0175.26

Dear Bill:

In our application for certificate of authority submitted to the Public Utilities Commission on March 7, we requested that we be allowed to supplement the application with MCImetro's Certificate of Authority when it became available. Exhibit A had been designated as this document. Enclosed are 11 copies of that Certificate and I would ask that it be filed as Exhibit A to the application.

If you have any questions, please contact me.

Yours truly,

MAY, ADAM, GERDES & THOMPSON LLP

Robert K. Sahr

DAVID A. GERDES by
ROBERT K. SAHR

DAG:mw

Enclosures

cc/enc: William P. Hunt

State of South Dakota



RECEIVED

MAR 13 1997

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

OFFICE OF THE SECRETARY OF STATE

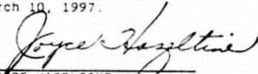
CERTIFICATE OF AUTHORITY

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

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

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this March 10, 1997.




JOYCE HAZELTINE
Secretary of State

EXHIBIT

A

SECRETARY OF STATE
STATE CAPITOL
500 E. CAPITOL
PIERRE, S.D. 57501-5074
605-773-4845
FAX (605) 773-

FILE NO. RECEIVED
RECEIPT NO.

MAR 10 1990

APPLICATION FOR CERTIFICATE OF AUTHORITY 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 McMetro Access Transmission Services, 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 Delaware Federal Taxpayer ID# 52-1669935
- (4) The date of its incorporation is 2/9/90 and the period of its duration, which may be perpetual, is perpetual
- (5) The address of its principal office in the state or country under the laws of which it is incorporated is 1013 Centre Road, Wilmington, DE Zip Code 19805
mailing address if different from above is: 1133 19th Street, NW
Washington, DC attn: Income Tax Dept. Zip Code 20036
- (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 503 South Pierre Street, Pierre, SD Zip 57501
and the name of its proposed registered agent in the State of South Dakota at that address is The Practice Hall Corporation System Six.
- (7) The purposes which it proposes to pursue in the transaction of business in the State of South Dakota are: (state specific purpose) Telecommunications

- (8) The names and respective addresses of its directors and officers are: SEE ATTACHMENT FOR LIST OF DIRECTORS

Name	Officer Title	Street Address	City	State	Zip
<u>Nate Davis</u>	<u>President</u>	<u>1650 Tysons Blvd.</u>	<u>McLean</u>	<u>VA</u>	<u>22102</u>
<u>Charles W. Ray</u>	<u>Vice President</u>	<u>1133 19th Street, NW</u>	<u>Wash</u>	<u>DC</u>	<u>20036</u>
<u>Michael Salisbury</u>	<u>Secretary</u>	<u>1801 Pennsylvania Ave. NW</u>	<u>Wash</u>	<u>DC</u>	<u>20006</u>
<u>Edward Erickson</u>	<u>Asst Secretary</u>	<u>1133 19th Street, NW</u>	<u>Wash</u>	<u>DC</u>	<u>20036</u>
<u>Thomas Quinn</u>	<u>Asst Treas</u>	<u>1801 Pennsylvania Ave. NW</u>	<u>Wash</u>	<u>DC</u>	<u>20006</u>

- (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
<u>1,000</u>	<u>COMMON</u>	<u>N/A</u>	<u>.10/share</u>

(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 of shares	Class	Series	Par value per share or statement that shares are without par value
<u>100</u>	<u>Common</u>	<u>N/A</u>	<u>.10/Share</u>

(11) The amount of its stated capital is \$ 10
Shares issued times par value equals stated capital. In the case of no par value stock, stated capital is the consideration received for the issued shares.

(12) This application is accompanied by a CERTIFICATE OF FACT or a CERTIFICATE OF GOOD STANDING 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, in the presence of a notary public, 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 3/7/97 19 97

(Signature)

State of City of Washington
County of District of Columbia

Charles W. Rau, Vice President
(Title)

On this 6th day of March, 19 97, before me Maria Rosset personally appeared Charles W. Rau known to me, or proved to me, to be the Vice 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: 2/14/2001

(Notary Public)

Notarial Seal

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

CONSENT OF APPOINTMENT BY THE REGISTERED AGENT

I, The Prentice-Hall Corporation System, Inc., hereby give my consent to serve as the
(name of registered agent)

registered agent for MCIMetro Access Transmission Services, Inc.
(corporate name)

Dated March 19 97

By: Sheila R. Hawkins
(signature of registered agent)
Sheila R. Hawkins, Asst. Secy.

NA	WorldCom, Inc. filed to renew its Bottom Line Business promotion for new customers with an expiration date of June 30, 1997	03/10/97	NA
NA	AT&T filed to offer incremental usage credits to new and existing SDN, SCS and VTNS customers. The promotions are effective March 13, 1997	03/12/97	NA
NA	Excel Communications, Inc. filed to increase the rates for the Evening and Night/Weekend Time-of-Day rate periods for the following service offerings: Excel Plus, Excel Plus II and Premier Plus II. In addition, minor textual changes may have been included. The revisions are effective March 13, 1997	03/12/97	NA
NI	Least Cost Routing, Inc. filed to amend its rates. The revisions are effective March 14, 1997	03/13/97	NA
NA	MCI Telecommunications Corporation filed to introduce Option AE (Advanced Option II for Small Business) and Option AF (HomeMCI One). The revisions are effective March 23, 1997	03/13/97	NA
NA	Cable & Wireless, Inc. filed to introduce Personal Office and Promotional Offering service; to increase rates for Travel WATS service associated with Focus and Excel products; intrastate Calling Card rates on the integrated products associated with Venture VNS, Simplicity and BFI Operator Handled and Toll-free Meet Me calls and Meet Me calls. CWI incorporates Time Periods for Operator Services and makes other minor revisions. The revisions are effective March 14, 1997	02/27/97	NA

Important Notice: The Commission is compiling a list of internet addresses. If you have an internet address please notify the Commission by E-mailing it to Terry Neuhoff at terry@mtc.state.sd.us. Filing the address to the Commission at: 605-773-3809

PAGE 2 OF 2

South Dakota Public Utilities Commission State Capitol 502 E. Capitol Pierre, SD 57501-5070 Phone: (605) 332-1782 Fax: (605) 773-3809		TELECOMMUNICATIONS SERVICE FILINGS These are the telecommunications service filings that the Commission has received for the period of: 03/07/97 through 03/13/97 If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five days of this filing.	
DOCKET NUMBER	TITLE/STAFF/SYNOPSIS	DATE FILED	INTERVENTION DEADLINE
REQUEST FOR CERTIFICATION OF AUTHORITY			
TC97-022	Application by MCI Metro Access Transmission Services, Inc. for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: TS/KC) Applicant "will provide a full-range of telecommunications services, including but not limited to: resale, various intrastate private line services and switched services, local exchange and IntraLATA toll services. Initially, MCI Metro plans to provide services by reselling local telecommunications exchange services offered by the incumbent local exchange carrier. MCI Metro plans to interconnect its network with U S WEST and other local exchange carriers in order to bring the widest range of services to consumers in South Dakota."	03/07/97	03/28/97
TC97-023	Application by Atlas Communications, Ltd. to amend its Certificate of Authority to provide local exchange services within the state of South Dakota. (Staff: TS/CH) "Applicant intends to provide local exchange service on a resale basis. The specific manner in which Applicant will provide local exchange service depends upon the result of negotiations with the incumbent local exchange carriers currently operating within the State. Applicant seeks authority to resell local exchange service in the existing service areas of U S WEST and any other relevant carriers."	03/10/97	03/28/97
TC97-024	Application by U S Republic Communications, Inc. for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: TS/CH) Applicant seeks authority to provide resold long distance telecommunications services in South Dakota. Initially, Applicant's operator services will be provided through the utilization of AT&T's existing operator services.	03/10/97	03/28/97
TC97-025	Application by Cypress Telecommunications Corporation for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: TS/CH) Applicant seeks authority to operate as a reseller of interexchange telecommunications services, including operator-assisted services within South Dakota.	03/12/97	03/28/97
TC97-026	Application by East Plains Telecom, Inc. (East Plains) for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (DJ/KC) East Plains will provide local exchange telephone service within the exchange boundaries of the Alcester and Hudson exchanges. On May 2, 1996, the Commission approved the sale of the Alcester exchange from U S WEST Communications to East Plains. On October 24, 1996, the Commission approved the sale of the Hudson exchange from U S WEST Communications to East Plains.	03/13/97	03/28/97
FULLY COMPETITIVE TELECOMMUNICATIONS FILINGS			

PAGE 1 OF 2

SDITC

South Dakota Independent
Telephone Coalition, Inc.

Richard D. Coit
Executive Director

Bette Dozier
Administrative Assistant

March 24, 1997

RECEIVED

MAR 25 1997

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

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

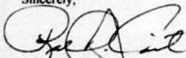
RE: Docket TC97-022 (In the Matter of the Application of MCImetro Access Transmission Services Inc. for a Certificate of Authority to Provide Local Exchange Telecommunications Services Within the State of South Dakota)

Dear Bill:

Enclosed is the original and 10 copies of SDITC's Petition to Intervene in the above referenced docket.

Thank you for your assistance in this matter.

Sincerely,



Richard D. Coit
Executive Director and General Counsel

RDC/bd

Enclosures

cc: David A. Gerdes
Michael Hydock



BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

RECEIVED

MAR 25 1997

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
MCIMETRO ACCESS TRANSMISSION) DOCKET TC97-022
SERVICES, INC. FOR A CERTIFICATE OF)
AUTHORITY TO PROVIDE LOCAL)
EXCHANGE TELECOMMUNICATIONS)
SERVICES WITHIN THE STATE OF SOUTH)
DAKOTA)

Petition to Intervene

The South Dakota Independent Telephone Coalition ("SDITC") hereby petitions the Commission for intervention in the above captioned proceeding pursuant to SDCL 1-26-17.1 and ARSD §§ 20-10-01-15.02, 20-10-01-15.03 and 20-10-01-15.05. In support hereof, SDITC states as follows:

1. SDITC is an incorporated organization representing the interests of numerous cooperative, independent and municipal telephone companies operating throughout the State of South Dakota.

2. As expressly noted in the Bylaws of SDITC, duly adopted by the Coalition, "one of the primary purposes for the formation and existence of the South Dakota Independent Telephone Coalition is representation by the Coalition before the South Dakota Public Utilities Commission." The member companies of SDITC have delegated to the SDITC Board of Directors and its President the authority to intervene on their behalf in PUC proceedings which will or might potentially impact their common interests.

3. The application for certification filed by MCImetro Access Transmission Services, Inc. ("MCImetro") indicates that the company is seeking authority to provide local exchange telecommunications services throughout the State of South Dakota.

4 SDITC member companies operate as "incumbent LECs" and "rural telephone companies" throughout South Dakota and, as such, the companies will be impacted by and have a pecuniary interest in this docket. To the extent MCInetro seeks local service authority in rural telephone company service areas or the Commission in this proceeding addresses issues relating to how MCInetro will be regulated or what types of service obligations may be imposed on the company, SDITC member company interests will be affected

5 SDITC member companies are especially concerned that any action taken in this docket be consistent with and not hinder or otherwise affect the Commission's ability under the new Federal Telecommunications Act to appropriately condition competitive entry into "service areas" operated by rural telephone companies (See Section 251(f)(1), 253(b) and 253(f), Telecommunications Act of 1996). The Commission in other pending applications for certification to provide local exchange telecommunications services has issued procedural orders which preserve its authority to review rural safeguard issues in later proceedings prior to the time that competing providers actually begin to offer or provide their services in any exchange areas served by Rural Telephone Companies. It is SDITC's position that the same Commission action should be taken in this proceeding.

6 Based on the foregoing, SDITC in its authorized representative capacity is an interested party to this proceeding and seeks intervention herein.

SDITC respectfully requests permission to intervene on behalf of its member companies and an opportunity to be heard in this matter.

Dated this 24 day of March, 1997.

THE SOUTH DAKOTA INDEPENDENT
TELEPHONE COALITION

By 
Richard D. Coit
Executive Director & General Counsel

CERTIFICATE OF SERVICE

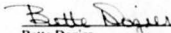
I hereby certify that an original and ten copies of SDITC's Petition to Intervene was delivered via US Postal Service on the 24th day of March, 1997, to the following person:

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

and a true and correct copy was delivered via the US Postal Service addressed to the following persons:

David A. Gerdes, Esq.
MAY, ADAM, GERDES & THOMPSON LLP
503 South Pierre Street
PO Box 160
Pierre, SD 57501-0160

Michael Hydock, Manager, Local Competition Manager
Karen L. Clauson, Esq., Senior Attorney
William P. Hunt III, Esq., Attorney
MCI Telecommunications Corporation
707 Seventeenth Street, Suite 3600
Denver, CO 80202



Bette Dozier
Administrative Assistant
SDITC
207 East Capitol, Suite 206
Pierre, SD 57501

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

IN THE MATTER OF THE APPLICATION OF)	
MCIMETRO ACCESS TRANSMISSION)	ORDER GRANTING
SERVICES, INC. FOR A CERTIFICATE OF)	INTERVENTION
AUTHORITY TO PROVIDE)	
TELECOMMUNICATIONS SERVICES IN)	TC97-022
SOUTH DAKOTA)	

On March 7, 1997, the Public Utilities Commission (Commission) received an application by MCImetro Access Transmission Services, Inc. (MCImetro) for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. Applicant proposes to provide a full-range of telecommunications services, including, but not limited to: resale, various intrastate private line services and switched services, local exchange and IntraLATA toll services. Initially, MCImetro plans to provide services by reselling local telecommunications exchange services offered by the incumbent local exchange carrier. MCImetro also plans to interconnect its network with U S WEST and other local exchange carriers in order to bring the widest range of services to consumers in South Dakota.

On March 13, 1997, the Commission electronically transmitted notice of the filing and the intervention deadline of March 28, 1997, to interested individuals and entities. On March 25, 1997, the South Dakota Independent Telephone Coalition, Inc. (SDITC) filed a petition to intervene.

The Commission has jurisdiction in this matter pursuant to SDCL Chapter 1-26 and 49-31.

At a regularly scheduled meeting of April 1, 1997, the Commission found that the Petition to Intervene was timely filed and demonstrated good cause to grant intervention. It is therefore

ORDERED that the Petition to Intervene of SDITC is hereby granted. It is further

ORDERED, that the Executive Director shall set a procedural schedule in this matter.

Dated at Pierre, South Dakota, this 10th day of April, 1997.

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 facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By Debra K. Kach

Date 4/10/97

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner

SDITC

South Dakota Independent
Telephone Coalition, Inc.

Richard D. Coit
Executive Director

May 29, 1997

Bette Dozier
Administrative Assistant

Mr. Bill Bullard
Executive Director
South Dakota Public Utilities Commission
State Capitol Building
Pierre, SD 57501

FAX Received MAY 29 1997

RECEIVED

MAY 30 1997

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

RE: Petitions to Intervene in Dockets TC97-022 and TC97-023
(Applications for local service authority filed by MCIMetro and Atlas
Communications)

Dear Bill:

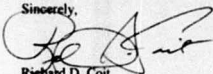
Please accept this letter as notice that SDITC is withdrawing its Petitions to Intervene filed in the above referenced dockets. The Petitions were filed by SDITC merely to offer comment, if necessary, to ensure that Commission orders issued on the pending local service applications are consistent with how the Commission has addressed previous similar certifications - specifically, that language be included in the orders preserving rural safeguards provided for under the Federal Telecommunications Act.

Our withdrawal is based on discussions I've had with Tammy Stangohr of Staff who has indicated that Staff recommendations on the applications for certification will be consistent with the Commission's previous local service orders and will request inclusion of the necessary rural safeguard language. Accordingly, I am satisfied that our concerns will be properly addressed and I wish to withdraw the SDITC intervention requests.

A copy of this letter has been faxed this afternoon and mailed to counsel for the applicant companies.

If there are questions or anything further needs to be done, please advise.

Sincerely,



Richard D. Coit
Executive Director and General Counsel

cc: David A. Gerdes
Patrick D. Crocker

RDC/ms



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

IN THE MATTER OF THE APPLICATION OF)	ORDER GRANTING
MCIMETRO ACCESS TRANSMISSION)	CERTIFICATE OF
SERVICES, INC. FOR A CERTIFICATE OF)	AUTHORITY; ORDER
AUTHORITY TO PROVIDE)	GRANTING WITHDRAWAL
TELECOMMUNICATIONS SERVICES,)	OF INTERVENTION
INCLUDING LOCAL EXCHANGE SERVICES,)	
IN SOUTH DAKOTA)	TC97-022

On March 7, 1997, the South Dakota Public Utilities Commission (Commission), in accordance with SDCL 49-31-3 and ARSD 20 10 24 02, received an application from MCImetro Access Transmission Services, Inc. (Applicant) for a certificate of authority to operate as a telecommunications company within the state of South Dakota.

The Applicant plans to provide a full-range of telecommunications services such as various intrastate private line services and switched services, local exchange and intralATA toll services. Initially, Applicant plans to provide services by reselling local telecommunications exchange services offered by the incumbent local exchange carrier. Applicant plans to interconnect its network with U S WEST and other local exchange carriers in order to bring the widest range of services to consumers in South Dakota.

On March 13, 1997, the Commission electronically transmitted notice of the filing and the intervention deadline of March 28, 1997, to interested individuals and entities. On March 25, 1997, the South Dakota Independent Telephone Coalition (SDITC) filed for intervention. SDITC was granted intervention on April 1, 1997. On May 29, 1997, SDITC requested withdrawal of its intervention.

At its regularly scheduled meeting of June 24, 1997, the Commission considered the application for certificate of authority and the request for withdrawal of intervention. Commission Staff recommended approval of the withdrawal of the intervention. Further, Commission Staff recommended granting the certificate of authority, subject to the condition that Applicant provide a bond or show updated financial information before offering services in South Dakota and subject to rural safeguards. Furthermore, Commission Staff recommended temporary waiver of subparagraphs (8) and (12) of ARSD 20 10 24 02 with respect to the provisioning of local services.

The Commission finds that it has jurisdiction over this matter pursuant to SDCL 49-31, specifically 49-31-3 and ARSD 20 10 24 02 and 20 10 24 03. The Commission finds that the request for withdrawal of intervention shall be granted. Further, the Commission finds that the certificate of authority shall be granted, subject to the Applicant providing a bond or showing updated financial information before offering services in South Dakota. The Commission finds that there is good cause to temporarily waive subparagraphs (8) and (12) of ARSD 20 10 24 02 with respect to the provisioning of local services.

00111 0111 104-03

NEXT

DOCUMENT (S)

DISREGARD

BACKGROUND

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

CERTIFICATE OF AUTHORITY

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

Authority was Granted June 24, 1997
Docket No. TC97-022

This is to certify that

MCIMETRO ACCESS TRANSMISSION SERVICES, 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 2nd day of July, 1997.

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION:**



James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner