

CH/DT

DOCKET NO.

TC97-128

**In the Matter of**

IN THE MATTER OF THE  
APPLICATION OF CLARITY TELECOM  
LD NETWORK SERVICES, INC. FOR A  
CERTIFICATE OF AUTHORITY TO  
PROVIDE TELECOMMUNICATIONS  
SERVICES IN SOUTH DAKOTA

## Public Utilities Commission of the State of South Dakota

| DATE    | MEMORANDA                   |
|---------|-----------------------------|
| 7/10/97 | Filed and pocketed,         |
| 7/10/97 | TC For Filing,              |
| 7/12/97 | Supplement to applications, |
| 9/17/97 | Order Granting COP,         |
| 9/17/97 | Recket Closed.              |

July 9, 1997

RECEIVED

JUL 10 1997

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

VIA OVERNIGHT DELIVERY

Secretary  
South Dakota Public Utilities Commission  
500 E. Capitol Avenue  
Pierre, South Dakota 57501-5070

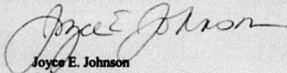
**RE: Application of Clarity Telecom LD Network Services, Inc. for a Certificate of Public Convenience and Necessity to Operate as a Reseller of Interexchange Telecommunications Services Within the State of South Dakota**

Dear Sir or Madam:

Enclosed on behalf of Clarity Telecom LD Network Services, Inc. ("Clarity") are an original and ten copies of Clarity's Application for a Certificate of Public Convenience and Necessity to provide resale interexchange telecommunications in the State of South Dakota, along with check #5582 in the amount of \$250.00 to cover the requisite filing fee.

If you require any additional information, please do not hesitate to call me. Please acknowledge receipt of this application by date stamping a copy of this letter and returning it in the envelope provided. Thank you in advance.

Respectfully submitted,



Joyce E. Johnson  
Corporate & Regulatory Counsel  
(203) 882-4545

enclosures

TC97-128

BEFORE THE SOUTH DAKOTA  
PUBLIC UTILITIES COMMISSION

RECEIVED

JUL 10 1997

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION )  
OF CLARITY TELECOM LD NETWORK )  
SERVICES, INC. FOR A CERTIFICATE )  
OF AUTHORITY TO OPERATE AS A )  
RESELLER OF INTEREXCHANGE )  
TELECOMMUNICATIONS SERVICES )  
WITHIN THE STATE OF SOUTH DAKOTA )

Docket No. \_\_\_\_\_

APPLICATION AND REQUEST FOR AUTHORITY

Clarity Telecom LD Network Services, Inc. ("Applicant", "Clarity" or "Company") hereby applies for a Certificate of Authority to provide interLATA and intraLATA long-distance telecommunications services between points within the State of South Dakota as a nondominant interexchange carrier. In support of its Application, Clarity submits the following information:

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

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460  
(203) 882-3700

2. The person who should be contacted in connection with the general management of Clarity is:

Thomas Maier  
Controller, Network Services  
Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460  
(203) 882-4080

3. Clarity's legal counsel is:

Joyce E. Johnson  
Corporate and Regulatory Counsel  
478 Wheelers Farms Road  
Milford, CT 06460  
(203) 882-4545

Clarity respectfully requests that all correspondence and other communications with Applicant concerning this Application be directed to its Counsel.

4. Company's agent for service is:

Corporation Service Company  
503 South Pierre Street  
Pierre, South Dakota 57501

5. Clarity's parent corporation, Clarity Telecom Holdings, Inc., 478 Wheelers Farms Road, Milford, Connecticut, 06460, owns a 100% share of Applicant, Clarity Telecom LD Network Services, Inc.
6. Clarity is incorporated in the State of Delaware and is in good standing under the laws of that state. The date of incorporation is May 16, 1996. A copy of the Applicant's Certificate of Incorporation is attached to this Application as Exhibit 1. In addition, Applicant is authorized to do business in the state of South Dakota. Attached as Exhibit 2 to this Application is a copy of the Applicant's certificate of qualification to transact business in South Dakota.
7. Clarity has begun the process of applying for certification in states throughout the United States which require same. Attached is Exhibit 3 which lists those states in which Clarity has applied. In no instance has Company been denied registration or certification.

#### Description of Proposed Services

8. Clarity's sister corporation, Clarity Telecom, Inc. d/b/a EXECUTONE Business Solutions ("EBS") is in the business of marketing, installing and servicing voice and data communications systems to businesses. EBS vends products and services under the EXECUTONE®, ISOETEC, IDS and INFOSTAR® brand names through a nationwide network of EBS direct sales and service offices. Upon regulatory approval, Clarity will begin reselling telecommunications services. By this Application, Clarity requests authorization to resell interLATA and intraLATA interexchange services to the public in equal access areas throughout the State of South Dakota. Clarity does not propose to own, construct or lease equipment, transmission lines or other facilities within South Dakota in order to provide the services for which it seeks authority. Instead, Clarity plans to operate in South Dakota primarily as a switchless, non-facilities-based reseller of long distance telecommunications services provided over the network of other authorized interexchange carriers.
9. The specific services to be offered by Clarity include switched inbound and outbound services to employees of Clarity and switched and dedicated inbound and outbound services for commercial customers, calling cards and directory assistance services for presubscribed commercial and residential customers. A more precise description of the resale services offered by Clarity is provided in attached Exhibit 4 and in its proposed tariff. Long distance operator services will be provided by Company's underlying carrier(s). Company's underlying carrier(s)' tariffed charges for operator service will be passed through to the Customer.

10. Clarity will bill customers directly with the assistance of a third party billing entity. Customer service will be available to customers 24 hours per day, seven days per week throughout the year. Customer inquiries and complaints will be handled by a representative at the Company's National Customer Service Center. The toll-free number is 800-678-9866. Additional customer service policies are included in Clarity's proposed tariff, attached as Exhibit 5.

Area of Proposed Service

11. The geographical area which Clarity proposes to serve is the State of South Dakota. A map is attached as Exhibit 6.
12. Clarity's proposed initial schedule of rates, terms and conditions is attached as Exhibit 5. Clarity believes that the rates are just and reasonable.

Managerial and Technical Qualifications

13. The management and staff of Clarity have substantial experience in providing interexchange and other telecommunications services. Substantially all of the employees of Clarity were transferred from the resale operations of EXECUTONE Information Systems, Inc. as part of a transaction selling EXECUTONE's Distribution Division and Resale Division to Clarity. Attached as Exhibit 7 are the resumes showing the experience and expertise of the Company's managers who oversee the provision of service proposed in this Application. Also included, as an example of the qualifications of Clarity's marketing sales personnel, is a resume of a Clarity sales agent.

Marketing

14. Clarity intends to market its services primarily to business customers and residential customers who have a business line installed by their employers.

Clarity will market its products through direct customer contact and telemarket to existing customers. Each sales agent must attend multiple sales training sessions.

Financial Capability of the Applicant

15. Clarity has sufficient financial resources to provide the proposed services properly. Attached as Exhibit 8 is a redacted copy of the broken down financials<sup>1</sup> of Clarity which includes the relevant financial information of Applicant, and a redacted copy of the 1996 audited financials.

Grant of a Certificate to Applicant is in the Public Interest

16. Clarity respectfully submits that grant of this Application will serve the public interest, convenience and necessity. Resellers such as Clarity purchase basic telecommunications services in bulk from underlying facilities-based carriers and resell to customers who may be too small to purchase such bulk services. The existence of resellers such as Clarity encourage the telecommunications market to develop in a manner which increases efficiency in the utilization of its services and facilities, gives rise to greater customer choice and more diversified service offerings, and encourages providers of telecommunications services to provide higher quality service, and to develop more innovative ways of marketing and using such services.

---

<sup>1</sup>On May 31, 1996, Clarity Telecom Holdings, Inc. (Applicant's parent company) purchased the distribution and telecommunications resale divisions (subject to regulatory approval) of EXECUTONE Information Systems, Inc. The broken out financial statements reflect the combined assets and liabilities of the newly formed company, Clarity.

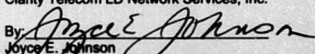
WHEREFORE, Applicant prays that the Commission issue to Clarity Telecom LD Network Services, Inc. a Certificate of Authority to transact the business of a Reseller of Telecommunications Services in the State of South Dakota as set forth above.

Dated at Milford, Connecticut, this 9 th day of July, 1997.

RESPECTFULLY SUBMITTED,

Clarity Telecom LD Network Services, Inc.

By:

  
Joyce E. Johnson  
Corporate & Regulatory Counsel

**NEXT**

**DOCUMENT (S)**

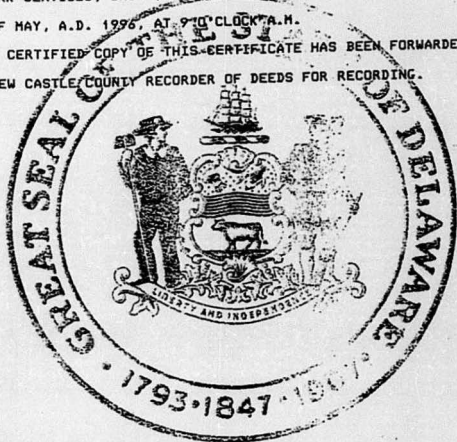
**DISREGARD**

**BACKGROUND**

*Office of the Secretary of State*

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "CLARITY TELECOM LD NETWORK SERVICES, INC.", FILED IN THIS OFFICE ON THE SIXTEENTH DAY OF MAY, A.D. 1996, AT 9:10 CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.



Edward J. Freel, Secretary of State

7948971

AUTHENTICATION:

DATE:

05-16-96

2622965 8100

960142226

CERTIFICATE OF INCORPORATION

of

CLARITY TELECOM LD NETWORK SERVICES, INC.

1. The name of this corporation is Clarity Telecom LD Network Services, Inc.
2. The registered office of this corporation in the State of Delaware is located at 1013 Centre Road, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is Corporation Service Company.
3. The purpose of this corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.
4. The total number of shares of stock that this corporation shall have authority to issue is 3,000 shares of Common Stock, \$.01 par value per share. Each share of Common Stock shall be entitled to one vote.
5. The name and mailing address of the incorporator is: Jonathan S. Lavine, Two Copley Place, 7th Floor, Boston, Massachusetts 02116.
6. Except as otherwise provided in the provisions establishing a class of stock, the number of authorized shares of any class of stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of the corporation entitled to vote irrespective of the provisions of Section 242(b)(2) of the General Corporation Law of the State of Delaware.
7. The election of directors need not be by written ballot unless the by-laws shall so require.
8. In furtherance and not in limitation of the power conferred upon the board of directors by law, the board of directors shall have power to make, adopt, alter, amend and repeal from time to time by-laws of this corporation, subject to the right of the stockholders entitled to vote with respect thereto to alter and repeal by-laws made by the board of directors.
9. A director of this corporation shall not be liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that exculpation from liability is not permitted under the General Corporation Law of the State of Delaware as in effect at the time such liability is determined. No amendment or repeal of this paragraph 9 shall apply to or have any effect on the liability or alleged liability

of any director of the corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

10. This corporation shall, to the maximum extent permitted from time to time under the law of the State of Delaware, indemnify and upon request advance expenses to any person who is or was a party or is threatened to be made a party to any threatened, pending or completed action, suit, proceeding or claim, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was or has agreed to be a director or officer of this corporation or while a director or officer is or was serving at the request of this corporation as a director, officer, partner, trustee, employee or agent of any corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against expenses (including attorney's fees and expenses), judgments, fines, penalties and amounts paid in settlement incurred (and not otherwise recovered) in connection with the investigation, preparation to defend or defense of such action, suit, proceeding or claim; provided, however, that the foregoing shall not require this corporation to indemnify or advance expenses to any person in connection with any action, suit, proceeding, claim or counterclaim initiated by or on behalf of such person. Such indemnification shall not be exclusive of other indemnification rights arising under any by-law, agreement, vote of directors or stockholders or otherwise and shall inure to the benefit of the heirs and legal representatives of such person. Any person seeking indemnification under this paragraph 10 shall be deemed to have met the standard of conduct required for such indemnification unless the contrary shall be established. Any repeal or modification of the foregoing provisions of this paragraph 10 shall not adversely affect any right or protection of a director or officer of this corporation with respect to any acts or omissions of such director or officer occurring prior to such repeal or modification.

11. The books of this corporation may (subject to any statutory requirements) be kept outside the State of Delaware as may be designated by the board of directors or in the by-laws of this corporation.

12. If at any time this corporation shall have a class of stock registered pursuant to the provisions of the Securities Exchange Act of 1934, for so long as such class is so registered, any action by the stockholders of such class must be taken at an annual or special meeting of stockholders and may not be taken by written consent.

THE UNDERSIGNED, the sole incorporator named above, hereby certifies that the facts stated above are true as of this 16<sup>th</sup> day of May, 1996.

  
Jonathan S. Levine

# State of South Dakota



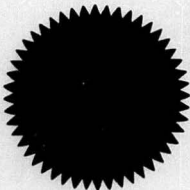
## OFFICE OF THE SECRETARY OF STATE

### CERTIFICATE OF AUTHORITY

I, JOYCE HAZELTINE, Secretary of State of the State of South Dakota, hereby certify that the Application for a Certificate of Authority of CLARITY TELECOM LD NETWORK 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 CLARITY TELECOM LD NETWORK 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 October 25, 1996.



*Joyce Hazeltine*  
JOYCE HAZELTINE  
Secretary of State

APPLICATION FOR CERTIFICATE OF AUTHORITY

RECEIVED

SEP 25 1996

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 Clarity Telecom LD Network 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 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# 04-3314894

(4) The date of its incorporation is May 16, 1996 and the period of its duration is perpetual

(5) The address of its principal office in the state or country under the laws of which it is incorporated is 1013 Centre Road, Wilmington, DE Zip Code 19805-1297

(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 303 South Pierre Street, Pierre Zip 57501  
and the name of its proposed registered agent in the State of South Dakota at that address is Corporation Service Company

(7) The purposes which it proposes to pursue in the transaction of business in the State of South Dakota are: Telecommunications sales and service and any business or other activity which may be lawfully carried on by a corporation under the laws of the State of South Dakota.

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

| Name          | Officer Title | Street Address | City | State | Zip |
|---------------|---------------|----------------|------|-------|-----|
| See Exhibit A |               |                |      |       |     |
|               |               |                |      |       |     |
|               |               |                |      |       |     |
|               |               |                |      |       |     |
|               |               |                |      |       |     |
|               |               |                |      |       |     |
|               |               |                |      |       |     |

(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 or shares | Class  | Series | Par value per share or statement that shares are without par value |
|------------------|--------|--------|--------------------------------------------------------------------|
| 3,000            | Common | N/A    | \$ .01                                                             |
|                  |        |        |                                                                    |
|                  |        |        |                                                                    |
|                  |        |        |                                                                    |
|                  |        |        |                                                                    |

(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<br>or shares | Class  | Series | Per value per share or statement that shares are<br>without par value |
|---------------------|--------|--------|-----------------------------------------------------------------------|
| 1,000               | Common | N/A    | \$ .01                                                                |
|                     |        |        |                                                                       |
|                     |        |        |                                                                       |

(11) The amount of its stated capital is \$ 10.0 million

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

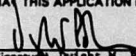
(13) That such corporation shall not directly or indirectly combine or make any contract with any incorporated company, foreign or domestic, through their stockholders or the trustees or assigns of such stockholders, or with any copartnership or association of persons, or in any manner whatever to fix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

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

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

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

Dated August 1996

  
\_\_\_\_\_  
(Signature) Dwight M. Poler  
\_\_\_\_\_  
Vice President  
\_\_\_\_\_  
(Title)

State of Massachusetts  
County of Suffolk

On this 14th day of August, 19 96, before me \_\_\_\_\_,  
personally appeared Dwight M. Poler, 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: My Commission Expires February 21, 2001  
\_\_\_\_\_  
(Notary Public) Diane A. Charizor

Notarial Seal

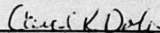
\*\*\*\*\*  
The Consent of Appointment below must be signed by the registered agent listed in number six.

### CONSENT OF APPOINTMENT BY THE REGISTERED AGENT

I, Corporation Service Company, hereby give my consent to serve as the  
(name of registered agent)

registered agent for Clarity Telecom LD Network Services, Inc.  
(corporate name)

Dated September 20 19 96

By:   
\_\_\_\_\_  
(signature of registered agent)  
Carol K. Dolor Authorized Representative

## CLARITY TELECOM LD NETWORK SERVICES, INC.

## 1. OFFICERS.

| Name                 | Title                                                         | Address                                         |
|----------------------|---------------------------------------------------------------|-------------------------------------------------|
| Stephen G. Pagliuca  | Chairman                                                      | 478 Wheelers Farms Road<br>Milford, CT 06460    |
| Edward H. Lavin, Jr. | Chief Executive Officer                                       | 478 Wheelers Farms Road<br>Milford, CT 06460    |
| Steven Barnes        | President, Chief Operating<br>Officer and Assistant Secretary | 478 Wheelers Farms Road<br>Milford, CT 06460    |
| Dwight M. Poler      | Treasurer and Vice President                                  | Two Copley Place, 7th Floor<br>Boston, MA 02116 |
| Jonathan S. Lavine   | Secretary, Vice President and<br>Assistant Treasurer          | Two Copley Place, 7th Floor<br>Boston, MA 02116 |
| Laura M. Broderick   | Vice President                                                | 478 Wheelers Farms Road<br>Milford, CT 06460    |
| James Graham         | Vice President, Finance and<br>Administration                 | 478 Wheelers Farms Road<br>Milford, CT 06460    |

## 2. DIRECTORS.

| Name                 | Address                                         |
|----------------------|-------------------------------------------------|
| Stephen G. Pagliuca  | 478 Wheelers Farms Road<br>Milford, CT 06460    |
| Dwight M. Poler      | Two Copley Place, 7th Floor<br>Boston, MA 02116 |
| Jonathan S. Lavine   | Two Copley Place, 7th Floor<br>Boston, MA 02116 |
| Edward H. Lavin, Jr. | 478 Wheelers Farms Road<br>Milford, CT 06460    |
| Neil Lichtman        | 478 Wheelers Farms Road<br>Milford, CT 06460    |
| Steven Barnes        | 478 Wheelers Farms Road<br>Milford, CT 06460    |

### EXHIBIT 3

The Company has been granted certification/authority to operate as a reseller of intrastate interexchange telecommunications services in the following states:

|              |           |          |               |              |
|--------------|-----------|----------|---------------|--------------|
| California   | Colorado  | Idaho    | Montana       | Utah         |
| Virginia     | Delaware  | Michigan | New Jersey    | Texas        |
| Pennsylvania | Arkansas  | Florida  | Iowa          | Indiana      |
| Kansas       | Louisiana | Maryland | Massachusetts | North Dakota |
| New York     | Oklahoma  | Oregon   | Washington    | Wisconsin    |

Applications for certification/authority to operate as a reseller of intrastate interexchange telecommunications services are pending or will be made in the following states:

|          |                |                |              |
|----------|----------------|----------------|--------------|
| Georgia  | North Carolina | South Carolina | Connecticut  |
| Arizona  | Alabama        | Ohio           | Tennessee    |
| Nevada   | Missouri       | New Mexico     | Minnesota    |
| Kentucky | Mississippi    | Wyoming        | South Dakota |
|          | West Virginia  | Nebraska       | Illinois     |

The company has not been denied any requested Certificates.

## PRODUCT DESCRIPTIONS

INFOSTAR® LD+

A switched access long distance service which uses existing lines. Virtual banding, offered in equal access areas. Calls can terminate interstate, intrastate (where authorized), throughout Canada and in all direct dial international countries. Outbound calling.

ULTRASTAR LD+

A dedicated long distance service accessed by a T-1 installation. Virtual banding, calls can terminate interstate, intrastate (where authorized), throughout Canada and in all direct dial international countries. Outbound calling.

INFOSTAR® 800

Inward calling service. Terminating access is via Local Exchange Carrier lines. Calls are completed at the subscriber's location without charge to the caller. Virtual banding. Call origination from contiguous United States, Alaska, Hawaii, Puerto Rico, the U.S. Virgin Islands and Canada.

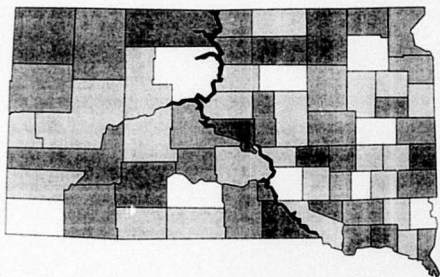
ULTRASTAR 800

Inward calling service. Terminating access is via dedicated circuit(s) usually a T-1. Calls are completed at the subscriber's location without charge to the caller. Virtual banding. Call origination from contiguous United States, Alaska, Hawaii, Puerto Rico and the U.S. Virgin Islands and Canada.

INFOSTAR® CALLING CARD

A calling card provided for customers who travel and make long distance calls away from home. Dialing instructions are on the back of each card. Can be used from contiguous U.S. Hawaii, Alaska, Puerto Rico, the U.S. Virgin Islands. Can be used in Canada to terminate calls to the U.S. Can be used with interstate, intrastate and international calls (where authorized).

EXHIBIT 6



## EXHIBIT 4

### Edward H. Lavin

Prior to joining the Company, Mr. Lavin was the Chairman and Chief Executive Officer of Quest America, L.P. a long-distance reseller. Prior to establishing Quest, Mr. Lavin was Chief Executive Officer of WiTel Communications Systems, a telecommunications equipment subsidiary of WiTel, Inc. This company, formerly Centel Business Systems, was acquired by Mr. Lavin in early 1990 in an MBO, and combined with WiTel to facilitate the convergence of WiTel's network services with the large base of equipment customers resident within Centel. Annual sales rose during Mr. Lavin's tenure from \$200 million to over \$360 million during a period of time when industry sales were experiencing no growth. WiTel Communications Systems became the largest distributor of Northern Telecom equipment in the U.S. during this period.

From 1987 to 1990, Mr. Lavin was President of TIE Systems, Inc. ("TIE"), a nationwide telephone interconnect company with sales of \$100 million. TIE began acquiring all its major distributors in the U.S. - (50 independents) to form TSI. Mr. Lavin negotiated, concluded, and assimilated all those different dealers in one major corporation, TSI. During Mr. Lavin's tenure TSI achieved in excess of \$100 million in sales with an annual profit of approximately \$8 million.

From 1980 to 1986, Mr. Lavin was the Chairman of Canadian Telecommunications Group ("CTG"). Mr. Lavin founded this Canadian and U.S. public company, which grew to \$100 million in annual sales, making it the largest independent telecommunications interconnect company in Canada. Mr. Lavin was recognized by the Canadian Government as its most successful immigrant entrepreneur during the 1980's. Mr. Lavin and CTG were also recognized by the Israel Trade Commission for Commerce between Israel and Canada during the early 1980's.

Prior to 1980, Mr. Lavin held various executive positions at L.M. Ericsson and at ADT Security Systems. In 1970, Mr. Lavin became the number one sales person in ADT World wide competing with over 600 people. He was recognized as the President of the ADT Achievers Club.

## NEIL LICHTMAN

Presently Vice President - Network Services  
Complete responsibility for P&L including Sales, Marketing and Operations functions.

Prior to his current position, from 1995-96, he was President - Network Services Division of Executone Information Systems where he developed and implemented a sales strategy that significantly increased revenue.

From 1994-95 he was President-California region for TIE Communications where he developed and implemented a strategy that took the region from a significant financial loss to profitability.

For 5 years, beginning in 1989, he was the General Manager for Executone in Southern California. Through implementation of his sales strategy and operation procedures, Southern California was recognized as the #1 District throughout the country.

Prior to this, he held various positions within Executone including: Director-Sales Office Planning; National Sales Manager-Independent Distribution; Regional Manager.

He also held positions of Branch Manager, Sales Manager and Sales Representative with Litton Industries from 1973-1984 and received numerous awards for top sales performance and branch management.

## **TOM MAIER**

From July 1990 to present, Mr. Maier has been the Controller of Network Services Division of Executone Information Systems, Inc. The Division was a start up operation and has grown to a \$28 million division. His responsibilities include Finance, Collections and Order Processing.

Prior to joining the company, Mr. Maier was the Accounting Manager at D'Addario Industries, Inc. from 6/88 to 6/90. D'Addario Industries, Inc. was a \$100 million, multi product company including construction as the major source of revenue.

From 3/86 to 5/88, Mr. Maier was an Internal Auditor for Reichhold Chemicals, Inc. which was a \$250 million chemical company. Reichhold sold specialty chemicals in the US and international markets.

From 1/81 to 2/86, Mr. Maier was an International Internal Auditor for Richardson Vicks, Inc. Richardson Vicks Inc. was a \$2 billion consumer product company. His responsibilities included monitoring internal controls in Finance, Production and Computer Processing.

Mr. Maier is a CPA in the State of Connecticut. He is a member of the AICPA, and Connecticut Society of Certified Public Accountants. He graduated from Temple University with BBA in Accounting.

**NEXT**

**DOCUMENT (S)**

**DISREGARD**

**BACKGROUND**

## KRISTEN A. NICHOLS

15850 Viewfield Road  
Monte Sereno, California 95030

Telephone: (408) 395-8394

### PROFILE:

A dynamic experienced Executive Manager with proven track record in all facets of Telecommunications sales and operations.

### PROFESSIONAL EXPERIENCE:

11/96 TELEPORT COMMUNICATIONS GROUP, San Jose, California

to Account Executive

Present • 207% to Quota, consistently exceeded quota in Q4

11/95 MFS INTELENET, San Jose, California

to Account Manager

10/96 • 133% to Quota, consistently exceeded quota Q2, & Q3  
• Salesperson of the Month (two months)

9/89 LONG DISTANCE NETWORK, INC., San Jose, California

to Positions:

3/94 General Manager, Sales Manager, Senior Sales Representative

- Promoted to General Manager, responsible all operations including P/L.
- Pioneered SJLDN, Inc., developed business from zero to number one branch of five within one year.
- Promoted to Sales Manager, directing a staff of fourteen (Sales, Operations, & Customer Service)
- Top Salesperson Company-wide (five of twelve months)
- Sales and service of customer base in excess of \$100,000.00
- \$40,000 in Major Account sales in first six months.

4/87 CAPITAL TELEPHONE COMPANY, INC./EXECUTONE INFORMATION SYSTEMS/

to ISOETEC, Sacramento, California

3/89 Positions:

Senior Sales Representative, Sales Representative

- Created Vertical Market Real Estate Program.
- Salesperson of the Month (two months).
- Consistently met or exceeded targets.

### EDUCATION:

TCG, MFS, MCI, SPRINT, TADIRAN, IWATSU, TIE, ISOETEC, PACIFIC BELL,  
Diplomas and/or Certificates - Formal Sales and Technical Training

LANDMARK EDUCATION, INC., 1994-Present, Ongoing Leadership Training  
and Development

AMERICAN RIVER COLLEGE, 1982/83, Majored in Sociology

**CLARITY TELECOM HOLDINGS, INC.**

**FINANCIAL STATEMENTS**  
**with Report of Independent Accountants**

**DECEMBER 31, 1996**

**NON-PROPRIETARY VERSION**

# **CLARITY TELECOM HOLDINGS, INC. and Subsidiaries**

## **Financial Statements December 31, 1996 Index**

---

|                                                                                      |   |
|--------------------------------------------------------------------------------------|---|
| Report of Independent Accountants                                                    | 1 |
| Financial Statements :                                                               |   |
| Consolidated Statement of Operations for the Seven Months Ended<br>December 31, 1996 | 2 |
| Consolidated Balance Sheet as of December 31, 1996                                   | 3 |
| Consolidated Statement of Changes in Stockholders' Equity as of<br>December 31, 1996 | 4 |
| Consolidated Statement of Cash Flows for the Seven Months Ended<br>December 31, 1996 | 5 |
| Notes to Consolidated Financial Statements                                           | 6 |

*Price Waterhouse LLP*



**Report of Independent Accountants**

March 28, 1997

To the Board of Directors and  
Stockholders' of Clarity Telecom Holdings, Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Clarity Telecom Holdings, Inc. and its subsidiaries at December 31, 1996, and the results of their operations and their cash flows for the seven months then ended 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 audit. We conducted our audit 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 audit provides a reasonable basis for the opinion expressed above.

*Price Waterhouse LLP*

**CLARITY TELECOM HOLDINGS, INC.**  
**and Subsidiaries**

**CONSOLIDATED STATEMENT OF OPERATIONS**  
**SEVEN MONTHS ENDED DECEMBER 31, 1996**  
(In thousands)

|          |           |
|----------|-----------|
| Revenues | \$106,848 |
|----------|-----------|

|                  |       |
|------------------|-------|
| Operating income | 7,183 |
|------------------|-------|

|            |                |
|------------|----------------|
| Net income | <u>\$3,105</u> |
|------------|----------------|

The accompanying notes are an integral part of the consolidated financial statements.

**CLARITY TELECOM HOLDINGS, INC.**  
**and Subsidiaries**

**CONSOLIDATED BALANCE SHEET**  
**DECEMBER 31, 1996**

(In thousands, except for share amounts)

Assets

**Current assets :**

Total current assets

47,824

**TOTAL ASSETS**

**\$130,618**

**Liabilities and Stockholders' Equity**

**Current liabilities :**

Total current liabilities

61,630

Total liabilities

115,039

**Commitments and contingencies**

**Stockholders' equity :**

Class A common stock: \$0.001 par value; 9,915,000  
shares authorized; 402,929 shares issued and  
outstanding

0

Class L common stock: \$0.001 par value; 85,000 shares  
authorized; 67,167 shares issued and outstanding

0

Additional paid-in capital

12,724

Stockholder note

(250)

Retained earnings

3,105

15,579

**TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY**

**\$130,618**

The accompanying notes are an integral part of the consolidated financial statements.

**CLARITY TELECOM HOLDINGS, INC.**  
**and Subsidiaries**

**CONSOLIDATED STATEMENT OF CHANGES  
 IN STOCKHOLDERS' EQUITY**  
 (In thousands, except share amounts)

|                                                       | <u>Class A Common Stock</u> |               | <u>Class L Common Stock</u> |               | <u>Additional</u> | <u>Stockholder</u> | <u>Retained</u> |              |
|-------------------------------------------------------|-----------------------------|---------------|-----------------------------|---------------|-------------------|--------------------|-----------------|--------------|
|                                                       | <u>Shares</u>               | <u>Amount</u> | <u>Shares</u>               | <u>Amount</u> | <u>Paid-in</u>    | <u>Note</u>        | <u>Earnings</u> | <u>Total</u> |
|                                                       |                             |               |                             |               | <u>Capital</u>    |                    |                 |              |
| Balance at May 31, 1996                               | -                           | -             | -                           | -             | -                 | -                  | -               | -            |
| Net income                                            |                             |               |                             |               |                   |                    | \$3,105         | \$3,105      |
| Issuance of common stock                              | 402,929                     | \$0           | 67,167                      | \$0           | \$10,249          | (\$250)            |                 | 9,999        |
| Warrants issued in conjunction<br>with long-term debt |                             |               |                             |               | 2,475             |                    |                 | 2,475        |
| Balance at December 31, 1996                          | 402,929                     | \$0           | 67,167                      | \$0           | \$12,724          | (\$250)            | \$3,105         | \$15,579     |

The accompanying notes are an integral part of the consolidated financial statements.

**CLARITY TELECOM HOLDINGS, INC.**  
**and Subsidiaries**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**SEVEN MONTHS ENDED DECEMBER 31, 1996**  
(In thousands)

CASH FLOWS FROM OPERATING ACTIVITIES :

Net income

\$3,105

NET CASH PROVIDED BY OPERATING ACTIVITIES

1,790

CASH FLOWS FROM INVESTING ACTIVITIES :

NET CASH USED IN INVESTING ACTIVITIES

(59,360)

CASH FLOWS FROM FINANCING ACTIVITIES :

NET CASH PROVIDED BY FINANCING ACTIVITIES

59,626

INCREASE IN CASH AND CASH EQUIVALENTS

2,056

CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD

13

CASH AND CASH EQUIVALENTS - END OF YEAR

\$2,069

The accompanying notes are an integral part of the consolidated financial statements.

**CLARITY TELECOM HOLDINGS, INC. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 1996**

**NOTE 1 - FORMATION OF THE COMPANY AND NATURE OF THE BUSINESS**

On May 31, 1996, Clarity Telecom Holdings, Inc. ("Holdings"), an acquisition group led by Bain Capital, acquired the Direct Sales and Service Offices ("DSOs") and Long Distance Reseller business of EXECUTONE Information Systems, Inc. ("Executone") under the Purchase Agreement dated April 9, 1996 between Executone and Holdings (the "Agreement").

Holdings and its wholly owned subsidiaries (the "Company") sells, installs, supports and services voice processing systems and provides cost-effective long distance telephone service. In connection with the purchase, the Company and Executone signed a distributor agreement which allows the Company to sell and service Executone's telephony products.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation.** The consolidated financial statements include the accounts of Holdings and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

**Use of Estimates.** 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, 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 these estimates.

**Revenue Recognition.** Revenue from equipment, software and installation contracts is recognized when the contract or contract phase for major installations is substantially completed. Revenue derived from maintenance is recognized (1) when the work is complete for maintenance performed on a time and materials basis or (2) ratably over the service period for contracted maintenance. Revenue of the Long Distance Reseller business is recognized based upon actual usage through the long distance carrier.

**Cash and cash equivalents.** The Company considers all highly liquid investments having a maturity of three months or less to be cash equivalents. The carrying amount of all cash equivalents approximates fair value.

**Inventories.** Inventories are stated at the lower of cost (on a first-in, first-out basis) or market. Substantially all inventory is purchased from Executone at discounts off Executone's distributor price list, as provided in the Agreement. Although this leaves the Company directly affected by Executone's financial condition and ability to supply product, management does not believe significant supply risk exists at December 31, 1996. Finished goods include service stock which is amortized over the estimated product/service life of the related systems. December 31, 1996 consist of the following (000's):

**CLARITY TELECOM HOLDINGS, INC. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 1996**

**Property and Equipment.** Property and equipment are stated at cost. Depreciation is provided on a straight-line basis over the estimated economic useful lives of the assets, which range from three to ten years for furniture, fixtures and equipment and thirty years for a building. Amortization, principally of leasehold improvements, is provided over the life of the respective lease terms which range from three to ten years.

**Goodwill.** Goodwill represents the excess of the purchase price of the businesses acquired over the fair value of the net tangible assets acquired. Amortization is provided on a straight-line basis over 25 years. Goodwill is measured for possible impairment whenever events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable; such measurement is based on the undiscounted future cash flows from the related operations.

**Accounts Payable.** Accounts payable at December 31, 1996 includes liabilities of \$1.3 million for checks issued but not yet presented for collection, net of the related bank balance.

**Warranty Costs.** The Company generally warrants its new installations and base change outs (upgrades) for one year after installation. Moves, adds and changes to previously installed systems are also warranted for one year on a customized job or one month for demand jobs. A provision for estimated warranty costs is maintained as a percentage of applicable product sales.

**Income Taxes.** The Company utilizes the liability method of accounting for income taxes as set forth in FAS No. 109, "Accounting for Income Taxes". Under the liability method, deferred taxes are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse.

**Stock-Based Compensation.** The Company grants stock options for a fixed number of shares to certain employees, as approved by the Board of Directors, with an exercise price equal to the fair market value of the shares at the date of the option grant. The Company accounts for stock option grants in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees", and, accordingly, recognized no compensation expense for these stock option grants. In October, 1995, FAS No. 123, "Accounting for Stock-Based Compensation", was issued which requires recognition of stock-based compensation costs or pro forma disclosure in a footnote of such costs beginning with fiscal year 1996. As permitted under FAS No. 123, the Company will continue to utilize the intrinsic method of accounting for stock-based compensation as defined under APB Opinion No. 25.

CLARITY TELECOM HOLDINGS, INC. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 1996

NOTE 3 - SUPPLEMENTAL CASH FLOW DISCLOSURE

NOTE 4 - DEBT

(a)

(b)

(c)

CLARITY TELECOM HOLDINGS, INC. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 1996

**NOTE 5 - INCOME TAXES**

**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

**Operating Leases.** The Company conducts its business operations in leased premises under non-cancelable operating lease agreements expiring at various dates through 2002. Some furniture and computer equipment not leased under capital arrangements have been financed through operating leases. The Company leases its fleet of approximately 400 vans for use by its installation and service technicians throughout the country under non-cancelable operating leases with a minimum term of one year.

**CLARITY TELECOM HOLDINGS, INC. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 1996**

**Litigation.** The Company has various lawsuits, claims and contingent liabilities arising from the conduct of business; however, in the opinion of management, they are not expected to have a material adverse effect on the financial position or results of operations of the Company.

**Equipment Sales with Recourse.** The Company offers its customers the opportunity to finance their equipment purchases through third party leasing companies.

No new sales with full recourse were made during the seven month period ended December 31, 1996.

**NOTE 7 - RELATED PARTY TRANSACTIONS**

Substantially all inventory is purchased from Executone; bulk purchase discounts are available if minimum purchase requirements and levels of outstanding accounts payable are met.

The Company acts as an installation subcontractor for Executone's National Accounts and Federal Systems divisions, charging labor at an established rate as provided in the Agreement.

The Company subleases its corporate headquarters' space from Executone for which the Company recorded rental expense.

The Company has no commitment to remain as a sublessor but must give 30 days notice to Executone prior to termination of the sublease. The Company rents space in the field offices to Executone for their salespeople who remained at the local sites for which rental income was recorded. Executone is under no obligation to keep their people at the Company's locations.

Executone holds a note and associated warrants arising from the purchase of the DSOs and Long Distance Reseller business (see Notes 4(d) and 8 regarding the note and warrants, respectively).

**NOTE 9 - SAVINGS PLAN**

The Company has a 401(k) Savings Plan under which employees may contribute on a pre-tax basis up to 16% of their salaries or a maximum of \$9,500. The Company matches the employee contributions in cash equal to 25% of each employee's contribution, up to a maximum of \$660 per year per employee, which vests in 25% increments over four years. All full time employees over age 21 who have completed six months of service, including officers, are eligible to participate in the plan. Any installation or service technicians who are members of the local unions in Chicago, San Diego and Los Angeles, however, may not participate in the Company's plan as per union rules.

# ARTHUR ANDERSEN LLP

DIRECT SALES AND SERVICE OFFICES OF  
EXECUTONE INFORMATION SYSTEMS, INC.

COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 1995, 1994 AND 1993  
TOGETHER WITH AUDITORS' REPORT

NON-PROPRIETARY VERSION

# ARTHUR ANDERSEN LLP

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of  
EXECUTONE Information Systems, Inc.:

We have audited the accompanying combined statements of assets and liabilities of the Direct Sales and Service Offices of EXECUTONE Information Systems, Inc. as of December 31, 1995, 1994 and 1993 and the related combined statements of operations and cash flows for each of the three years ended December 31, 1995. These financial statements are the responsibility of the management of EXECUTONE Information Systems, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of the Direct Sales and Service Offices of EXECUTONE Information Systems, Inc. as of December 31, 1995, 1994 and 1993, and their results of operations and their cash flows for each of the three years ended December 31, 1995 in conformity with generally accepted accounting principles.

*Arthur Andersen LLP*

Stamford, Connecticut.  
May 15, 1996

The accompanying notes to combined financial statements are an integral part of these financial statements.

DIRECT SALES AND SERVICE OFFICES OF  
EXECUTONE INFORMATION SYSTEMS, INC.

COMBINED STATEMENTS OF OPERATIONS

(In thousands)

|                                       | Years Ended December 31. |           |           |
|---------------------------------------|--------------------------|-----------|-----------|
|                                       | 1995                     | 1994      | 1993      |
| REVENUES                              | \$191,841                | \$190,498 | \$172,721 |
| COST OF SALES                         | 121,438                  | 123,219   | 112,029   |
| GROSS PROFIT                          | 70,402                   | 67,279    | 60,692    |
| OPERATING EXPENSES:                   |                          |           |           |
| Provision for restructuring (Note 11) | 18,907                   | -         | -         |
|                                       | 81,846                   | 57,700    | 55,572    |
| OPERATING (LOSS) INCOME               | (11,444)                 | 9,578     | 5,120     |
| OTHER (INCOME) AND EXPENSE            | (48)                     | 129       | 454       |
| (LOSS) INCOME BEFORE INCOME TAXES     | (11,396)                 | 9,449     | 4,664     |
| PROVISION FOR INCOME TAXES            | (2,219)                  | (3,780)   | (1,565)   |
| NET (LOSS) INCOME                     | \$(13,615)               | \$ 5,669  | \$ 2,899  |
|                                       | *****                    | *****     | *****     |

The accompanying notes to combined financial statements  
are an integral part of these financial statements.

### COMBINED STATEMENTS OF CASH FLOWS

Years Ended December 31.

[illegible]

**START**

**OF**

**RETAKE**

DIRECT SALES AND SERVICE OFFICES OF  
EXECUTONE INFORMATION SYSTEMS, INC.

COMBINED STATEMENTS OF OPERATIONS

(In thousands)

|                                      | Years Ended December 31. |           |           |
|--------------------------------------|--------------------------|-----------|-----------|
|                                      | 1995                     | 1994      | 1993      |
| REVENUES                             | \$191,841                | \$190,498 | \$172,721 |
| COST OF SALES                        | 121,438                  | 123,219   | 112,029   |
| GROSS PROFIT                         | 70,402                   | 67,279    | 60,692    |
| OPERATING EXPENSES:                  |                          |           |           |
| Provision for restructuring(Note 11) | 18,907                   | -         | -         |
|                                      | 81,846                   | 57,700    | 55,570    |
| OPERATING (LOSS) INCOME              | (11,444)                 | 9,578     | 5,120     |
| OTHER (INCOME) AND EXPENSE           | (49)                     | 129       | 454       |
| (LOSS) INCOME BEFORE INCOME TAXES    | (11,396)                 | 9,449     | 4,564     |
| PROVISION FOR INCOME TAXES           | (2,219)                  | (3,780)   | (1,866)   |
| NET (LOSS) INCOME                    | \$ (13,515)              | \$ 5,669  | \$ 2,698  |
|                                      | *****                    | *****     | *****     |

The accompanying notes to combined financial statements  
are an integral part of these financial statements.



**END**

**OF**

**RETAKE**

DIRECT SALES AND SERVICE OFFICES OF  
EXECUTONE INFORMATION SYSTEMS, INC.

DIRECT SALES AND SERVICE OFFICES OF

EXECUTONE INFORMATION SYSTEMS, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 1995, 1994 AND 1993

(1) Basis of Presentation:

On April 9, 1996, EXECUTONE Information Systems, Inc. ("Executone") entered into an agreement (the "Agreement") to sell its Direct Sales and Service Offices, including its long-distance reseller businesses (the "DSO Group"), to Clarity Telecom Holdings, Inc. ("Holdings"), an acquisition group led by Bain Capital, Inc. (see Note 3). The Agreement requires Executone to provide financial statements for the DSO Group for the years ended December 31, 1995, 1994 and 1993. Accordingly, the accompanying financial statements present the historical financial position and results of operations of the DSO Group and include all of the Direct Sales and Service Offices ("DSO's") which are to be sold in accordance with the Agreement and, therefore, exclude the Pittsburgh and Wisconsin locations, which are not being sold. In addition, the historical financial statements of the DSO Group included the financial position and results of operations of Executone's Healthcare and Call Center Management ("CCM") businesses. The Healthcare and CCM businesses are not being sold and, therefore, the accompanying financial statements exclude these businesses. The DSO Group was under the common control of Executone and its other subsidiaries and, therefore, the operating results and financial position of the DSO Group were impacted by the nature of this relationship (see Note 7).

The DSO's sell, install, support and service voice switching systems and provide cost-effective long-distance telephone service. Revenues are derived from the sales of its products and services through individual sales and service offices throughout the United States. All intercompany transactions among the DSO Group have been eliminated.

(2) Summary of Significant Accounting Policies:

Revenue recognition-

Revenue from equipment, software and installation contracts with end-users is recognized when the contract or contract phase for major installations is substantially completed. In those instances where the customer desires to take delivery of, and assume title for, the equipment prior to the installation, revenue is recognized when the equipment is delivered and the customer accepts title.

Revenue from maintenance performed on a time and materials basis is recognized when the work is complete. Network revenues are recognized based upon actual usage through the long distance carrier. Revenue derived from the sale of service contracts is amortized ratably over the service contract period on a straight-line basis.

Use of estimates-

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates (see Note 7).

(3)

In connection with the sale, Executone and Clarity will sign a distributor agreement which will allow Clarity to sell and service Executone's telephone products. Clarity is required to purchase or license certain levels of product from Executone on an annual basis. Purchase prices for inventory from Executone are to remain consistent with the price levels charged to the DSO Group when it operated as part of Executone. This agreement expires on May 30, 2001.

(4)

(5)

(6)

(7)

(8)

(9) Divisional Control Account:

Prior to the consummation of the announced sale of the DSO Group, the DSO Group was operated as a division of Executone. Accordingly, all operating, financing and investing activities of the DSO Group were funded through interdivisional transactions with Executone and its other operating divisions and subsidiaries. The accompanying financial statements reflect this activity in the divisional control account.

The changes in the DSO Group's divisional control account for the years ended December 31, 1995, 1994 and 1993 are as follows (000's):

|                                   | <u>1995</u> | <u>1994</u> | <u>1993</u> |
|-----------------------------------|-------------|-------------|-------------|
| Balance, beginning of year        | \$ 28,565   | \$27,281    | \$30,456    |
| Net (loss) income                 | (13,615)    | 5,669       | 2,800       |
| Net distributions to<br>Executone | (2,921)     | (4,385)     | (5,975)     |
|                                   | -----       | -----       | -----       |
| Balance, end of year              | \$ 12,029   | \$28,565    | \$27,281    |
|                                   | =====       | =====       | =====       |

(11) Provision for Restructuring:

The original Executone business that was merged with Isotec and Vodavi in 1988 was a telephone equipment company that focused its direct selling effort on office sites with smaller hardware-oriented analog telephone systems with an emphasis on selling additional hardware to generate revenues and service, mainly on a time and material basis. Since the acquisition, Executone's strategic focus has been to develop advanced hardware products which incorporate digital technology and software-oriented applications and to expand its product lines to high-end users, with more sophisticated products in order to serve its customers' total communication needs. Under this strategy, the business acquired in 1988 was de-emphasized.

In connection with the issuance in March 1995 of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), Executone was able to reevaluate the realizability of the goodwill associated with aforementioned acquisition. SFAS 121 requires Executone to project the lowest level of identifiable future cash flows for purposes of determining whether there has been an impairment of long-lived assets. Given the change in business strategy since 1988, most of the Company's products no longer incorporate the analog technology acquired. As a result, it was determined that future cash flows related to the acquired technology and the related business would not be sufficient to realize the goodwill. Accordingly, Executone concluded there was an impairment and recorded an \$18.9 million provision for restructuring consisting of a \$17.0 million goodwill impairment and a \$1.9 million writedown of inventory, primarily service stock relating to the old product lines as of June 30, 1995.

The write-off of inventory was determined based upon a review of specific inventory parts along with current and projected usage, incorporating the strategic direction of Executone. The DSO Group continues to maintain adequate levels of service stock for the telephony hardware customer base which will be amortized over the estimated product/service life of the related systems.

**NEXT**

**DOCUMENT (S)**

**DISREGARD**

**BACKGROUND**

**Direct Sales and Service  
Offices of EXECUTONE  
Information Systems, Inc.**

**Combined Balance Sheet  
May 31, 1996**

NON-PROPRIETARY VERSION

***Price Waterhouse LLP***



*Price Waterhouse LLP*



**Report of Independent Accountants**

July 26, 1996

To the Board of Directors of  
Clarity Telecom Holdings, Inc. and  
EXECUTONE Information Systems, Inc.

In our opinion, the accompanying combined balance sheet presents fairly, in all material respects, the financial position of the Direct Sales and Service Offices of EXECUTONE Information Systems, Inc. at May 31, 1996 in conformity with generally accepted accounting principles. This financial statement is the responsibility of the management of the Direct Sales and Service Offices of EXECUTONE Information Systems, Inc.; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet, assessing the accounting principles used and significant estimates made by management, and evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for the opinion expressed above.

*Price Waterhouse LLP*

Direct Sales and Services Offices of EXECUTONE Information Systems, Inc.  
Combined Balance Sheet  
(In thousands)

---

May 31, 1996

Assets

Current assets:

|                             |                  |
|-----------------------------|------------------|
| Total current assets        | <u>30,185</u>    |
| Property and equipment, net | 6,146            |
| Other assets                | <u>880</u>       |
| Total assets                | <u>\$ 37,211</u> |

Liabilities and Divisional Control Account  
Current liabilities:

|                                                  |                  |
|--------------------------------------------------|------------------|
| Total current liabilities                        | <u>31,627</u>    |
| Long-term deferred revenue                       | 2,787            |
| Capital lease obligations                        | <u>234</u>       |
| Total liabilities                                | 34,648           |
| Commitments and contingencies (Note 8)           |                  |
| Divisional control account                       | <u>2,563</u>     |
| Total liabilities and divisional control account | <u>\$ 37,211</u> |

The accompanying notes to combined balance sheet  
are an integral part of this financial statement

Direct Sales and Services Offices of EXECUTONE Information Systems, Inc.  
Notes to Combined Balance Sheet  
May 31, 1996

---

1. Basis of Presentation

On April 9, 1996, EXECUTONE Information Systems, Inc. ("Executone") entered into an agreement (the "Agreement") to sell its Direct Sales and Service Offices, including its long-distance reseller businesses (the "DSO Group"), to Clarity Telecom Holdings, Inc. ("Holdings"), an acquisition group led by Bain Capital, Inc. (see Note 3).

The accompanying combined balance sheet presents the historical financial position of the DSO Group and includes all of the Direct Sales and Service Offices ("DSO's") which are to be sold in accordance with the Agreement and, therefore, excludes the Pittsburgh and Wisconsin locations, which are not being sold. In addition, the historical financial statements of the DSO Group included the financial position and results of operations of Executone's Healthcare, Call Center Management ("CCM") and Video businesses. The Healthcare, CCM and Video businesses are not being sold, and therefore, the accompanying combined balance sheet excludes the assets and liabilities of these businesses. The DSO Group was under the common control of Executone and its other subsidiaries and, therefore, the financial position of the DSO Group was inspected by the nature of this relationship (see Note 7).

The DSO's sell, install, support and service voice switching systems and provide cost-effective long-distance telephone service. Revenues are derived from the sales of its products and services through individual sales and service offices throughout the United States. All intercompany transactions among the DSO Group have been eliminated.

2. Summary of Significant Accounting Policies

Significant accounting policies used in the preparation of the combined balance sheet are as follows:

Use of estimates

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 the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

Revenue recognition

Revenue from equipment, software and installation contracts with end-users is recognized when the contract or contract phase for major installations is substantially completed. In those instances where the customer desires to take delivery of, and assume title for, the equipment prior to the installation, revenue is recognized when the equipment is delivered and the customer accepts title.

Revenue derived from maintenance performed on a time and materials basis is recognized when the work is complete. Revenue derived from the sale of service contracts is amortized ratably over the service contract period on a straight-line basis. Revenue derived from reselling long-

Direct Sales and Services Offices of EXECUTONE Information Systems, Inc.  
Notes to Combined Balance Sheet  
May 31, 1996

---

distance services is recognized based upon actual usage through the long distance carrier.

3.

4.

**Direct Sales and Services Offices of EXECUTONE Information Systems, Inc.**  
**Notes to Combined Balance Sheet**  
**May 31, 1996**

---

5.

6.

**7. Divisional Control Account and Related Party Transactions**

Prior to the sale of the DSO Group, the DSO Group was operated as a division of Executone. Accordingly, certain services were provided to the DSO Group by Executone including corporate management, legal, accounting, treasury, human resources, benefit administration, insurance, usage of computer systems, and office space at Executone's corporate office. These services and all other operating, financing and investing activities of the DSO Group were funded through interdivisional transactions with Executone and its other operating divisions and subsidiaries. The combined balance sheet reflects this activity in the divisional control account.

Direct Sales and Services Offices of EXECUTONE Information Systems, Inc.  
Notes to Combined Balance Sheet  
May 31, 1996

---

8.

**Direct Sales and Services Offices of EXECUTONE Information Systems, Inc.**  
**Notes to Combined Balance Sheet**  
**May 31, 1996**

---

Long Distance Resale Telecommunications Services

Tariff of

Clarity Telecom LD Network Services, Inc.

Filed with the

South Dakota Public Utilities Commission

---

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

## TABLE OF CONTENTS

|                                      | Page No. |
|--------------------------------------|----------|
| Title Page .....                     | 1        |
| Table of Contents .....              | 2        |
| Tariff Format .....                  | 3        |
| Table of Symbols .....               | 3        |
| Application of Tariff .....          | 4        |
| Availability of Service .....        | 4        |
| Limitations on Service .....         | 4        |
| Rendering and Payment of Bills ..... | 5        |
| Limitation of Liability .....        | 5        |
| Cancellation of Service .....        | 6        |
| Rates .....                          | 8        |
| Definitions .....                    | 10       |

---

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

## TARIFF FORMAT

PAGE NUMBERING - Page numbers appear in the upper right corner of the page. Pages are numbered sequentially. However, new pages are occasionally added to the tariff. When a new page is added between sheets already in effect, a decimal is added. For example, a new page added between pages 1 and 2 would be page 1.1.

## TABLE OF SYMBOLS

EXPLANATION OF SYMBOLS - When changes are made in any tariff sheet, a revised sheet will be issued canceling the tariff sheet affected. Changes will be identified on the revised page(s) through the use of the following symbols:

- ◊ - To signify changed condition or regulation
- (D) - To signify discontinued rate, regulation or condition
- (I) - To signify increase in rates or charges
- (L) - To signify material relocated from or to another part of this tariff with no change in text, rate, rule or condition
- (N) - To signify new material, including a listing, rate, rule or condition
- (R) - To signify a reduction in rate and charges
- (T) - To signify a change in the wording of text, but no change in the rate, rule or condition
- (X) - To signify a correction or reissued matter

---

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

**A. APPLICATION OF TARIFF**

This tariff sets forth the rates and rules applicable to the Long Distance Resale Service provided by Company in South Dakota. Long Distance Resale Service is a telecommunications service for hire that includes providing both interstate and intrastate long distance service to Subscribers through the resale of WATS and MTS-like service. Services will be furnished in accordance with these tariff schedules. Services are provided, as more fully described herein, by Company to customers located in areas served by Company.

The rates and rules contained herein are subject to change pursuant to the statutes, rules and regulations of the State of South Dakota.

**B. AVAILABILITY OF SERVICE**

Company offers Long Distance Resale Service to any person in its service area who desires to become a Customer. No deposit is required.

**C. LIMITATIONS ON SERVICE**

1. Services are offered subject to the availability of the necessary facilities and subject to the terms and conditions of this tariff.
2. Company reserves the right to discontinue service or cancel an application for service without liability upon written notice when necessitated by conditions beyond its control, and in accordance with Section F of this Tariff.
3. Service may not be used for any unlawful purpose.
4. There is no limit on the number of calls placed or the length of individual calls.

---

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

**D. RENDERING AND PAYMENT OF BILLS**

1. Bills for service will be rendered monthly to each customer. Payment will be due within 10 days following the rendering of the bill. If payment is not received within 10 days of the rendering of a bill, then a late payment charge of one and one-quarter percent per month will be applied to the outstanding balance until payment is received.

2. Customer is responsible for the payment of bills for all calls or services, including any calls or services:

- a. Originated at the Customer's number(s),
- b. Accepted at the Customer's number(s) (e.g., Collect Calls),
- c. Billed to the Customer's number via Third Number Billing, if the Customer is found to be responsible for such call or service,
- d. Billed to the Customer's number via the use of a Calling Card or the use of a special billing number, or
- e. Incurred at the request of the Customer.

**E. LIMITATION OF LIABILITY**

1. Company shall not be liable for loss or damage sustained by reason of failure in or breakdown of facilities of third parties not under its control. In no event shall Company's liability for any failure, breakdown, or interruption in services exceed the charges applicable under this tariff of such service.

2. Company shall not be liable and shall be indemnified and saved harmless by any customer, end user, or other entity from all loss, claims, demands, suits, or other action or any liability whatever, whether suffered, made, instituted, or asserted by any customer, end user, or other entity for any personal injury to, or death of, any person or persons and for any loss, damage, defacement or destruction of the premises of any customer, end user or any other entity or any other property whether owned or controlled by the customer, end user, or others, caused or claimed to have been caused, directly or indirectly, by any act or omission

---

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

of the customer, end user, or others or by any installation, operation, failure to operate, maintenance, removal, presence, condition, location or use of facilities or equipment provided by Company which is not the direct result of Company's negligence. No agents or employees of any other entity shall be deemed to be the agents or employees of Company.

3. Company shall not be liable for any failure of performance due to causes beyond its control, including, without being limited to, acts of God, fires, lightning, floods or other catastrophes, national emergencies, insurrections, riots or wars, strikes, lockouts, work stoppage or other labor difficulties, any failure of local exchange company lines or delays caused by the local exchange company or the customer or end-user, and any law, order, regulation or other action of any governing authority or agency thereof.

4. The Customer is required to notify Company of any changes to Customer's equipment, including software controlling the equipment's function. Company is not liable for interruptions in service caused by Customer's failure to notify Company prior to any change.

#### F. CANCELLATION OF SERVICE

1. In the event of non-payment of any sum due, the use of foul or profane expressions, the impersonation of another with fraudulent intent, or any other violation of the Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996)(to be codified at 47 U.S.C. §§ 151 et seq.) and the Communications Act of 1934, as amended, or of the Rules and Regulations of the Federal Communications Commission or this state, Company may either temporarily deny service or terminate service.

2. Denial of Service Without Notice. Company may discontinue service without notice for any of the following reasons:

a. Unauthorized Use of Service. Customer's unauthorized use of service by any method which causes hazardous signals over the network.

b. Illegal Use of Service. Customer's use of service in a manner which violates the law.

---

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

3. Denial of Service Requiring Notice. Company may deny service for any of the following reasons provided it has notified the customer of its intent, in writing, to deny service and has allowed the customer a reasonable time of not less than 10 days, or as otherwise specified in these regulations, in which to remove the cause for denial:

a. Noncompliance with Regulations. For violation of or noncompliance with regulations of the South Dakota Public Utilities Commission, or for violation of or noncompliance with this Tariff.

b. Failure on Contractual Obligations. For failure of the Customer to fulfill its contractual obligations for service or facilities subject to regulation by the South Dakota Public Utilities Commission.

c. Non-payment of Bill.

(1) For non-payment of a bill of service, provided that Company has made a reasonable attempt to effect collection and has given the customer written notice of its intent to deny service if settlement of his account is not made and provided the customer has at least 5 days, excluding Sundays and holidays in which to make settlement before his service is denied.

(2) In cases of bankruptcy, receivership, abandonment of service, or abnormal toll usage, less than 5 days notice may be given if necessary to protect Company's revenues.

(3) Except in cases where a prior promise to pay has not been kept or bankruptcy, receivership, abandoned service, or abnormal toll usage is involved, Company may not deny service on the day preceding any day on which it is not prepared to accept payment of the amount due and to reconnect service.

4. Customers wishing to cancel any service under this tariff shall notify Company in writing at least 30 days prior to such cancellation.

---

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

**G. RATES****1. INFOSTAR® LD+ Switched Access - Intrastate:**

- Outward calling only
- Customers will be charged \$10.00 per month plus the following usage rates:

Plan I

\$0.1640 per min.

Plan II

\$0.1519 per min.

**2. ULTRASTAR LD+ Dedicated Access - Intrastate:**

- Outward calling only
- Customers will be charged \$10.00 per month plus the following usage rates:

Plan I

\$0.1200

Plan II

\$0.1305

**3. INFOSTAR® 800 Line - Intrastate:**

- Inward calling only
- There is a \$13.00 fee for listing in the 800 directory.
- Customers will be charged \$5.00 per month for each 800 number plus the following usage rates:

Plan I

\$0.2090 per min.

Plan II

\$0.1842 per min.

---

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

4. ULTRASTAR 800 Dedicated Line - Intrastate:

- Inward calling only
- Customers will be charged \$50.00 per month for each 800 service group plus the following usage rates:

Plan I

\$0.1490 per min.

Plan II

\$0.1167 per min.

5. Network Enhancement Charge

Each customer will be billed a monthly Network Enhancement Charge. This recurring charge will be 5% of the customer's total bill up to a maximum of \$212.73. Tax exempt entities are excluded.

6. Timing of Usage

a. Chargeable time begins when connection is established between the calling station and the called station, and ends when the calling station "hangs up." If the called station "hangs up" but the calling station does not, chargeable time ends when the network connection is released by automatic timing equipment in the telephone network.

b. For billing purposes, chargeable time is measured in six second increments.

7. Operator Service

Long distance operator service will be provided by Company's underlying carrier(s). Company's underlying carrier(s)' tariffed charges for operator service will be passed through to Customer.

---

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

8. Directory Assistance

Directory assistance calls will be routed to Company's underlying carrier(s). Company's underlying carrier(s)' tariffed charges for directory assistance service will be passed through to Customer.

9. INFOSTAR® Calling Card

INFOSTAR® calling card is available to all customers.

Plan I

\$0.3000

Plan II

\$0.3200

H. DEFINITIONS

1. COMPANY - Clarity Telecom LD Network Services, Inc.
2. ACCESS LINE - An access line provided by the Local Exchange Company in accordance with its tariffs.
3. CUSTOMER - A person, firm, corporation or other entity which contracts with Company for the provision of services offered by Company.
4. INFOSTAR® LD + - A switched access long distance service which uses existing telephone lines. Virtual banding, offered in equal access areas. Calls can terminate interstate, intrastate (where authorized), throughout Canada and in all direct dial international countries. Outbound calling.

---

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

5. ULTRASTAR LD+ - A dedicated long distance service accessed by a T-1 installation. Virtual banding, calls can terminate interstate, intrastate (where authorized), Canadian and international termination. Outbound calling.

6. INFOSTAR® 800 - Inward calling service. Terminating access is via Local Exchange Carrier telephone lines. Calls are completed at the subscriber's location without charge to the caller. Virtual banding. Call origination from contiguous United States, Alaska, Hawaii, Puerto Rico, the U.S. Virgin Islands and Canada.

7. ULTRASTAR 800 - Inward calling service. Terminating access is via dedicated circuit(s) usually a T-1. Calls are completed at the subscriber's location without charge to the caller. Virtual banding. Call origination from contiguous United States, Alaska, Hawaii, Puerto Rico and the U.S. Virgin Islands and Canada.

8. INFOSTAR® CALLING CARD - A calling card provided for customers who travel and make long distance calls away from home. Dialing instructions are on the back of each card. Can be used from contiguous U.S. Hawaii, Alaska, Puerto Rico, the U.S. Virgin Islands. Can be used in Canada to terminate calls to the U.S. Can be used with interstate, intrastate and international calls (where authorized).

---

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

**NEXT**

**DOCUMENT (S)**

**BEST IMAGE**

**POSSIBLE**

TC97-128

CLARITY TELECOM, INC.  
NATIONWIDE BUSINESS SOLUTIONS  
400 WHEELING PARKS ROAD  
EASTPORT, CT 06033

BANK OF BOSTON (BANK), N.A.  
SOUTH PORTLAND, ME  
BB-112-112

PAY

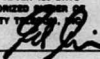
DATE CHECK NO. CHECK AMOUNT  
02/10/97 005582 \$\*\*\*\*\*250.00

TWO HUNDRED FIFTY DOLLARS AND ZERO CENTS

TO  
THE  
ORDER  
OF

SOUTH DAKOTA PUBLIC UTILITIES  
COMMISSION  
500 E CAPITAL AVE  
PIERRE, SD 57501-5070

VOID AFTER 120 DAYS  
AUTHORIZED SIGNATURE  
CLARITY TELECOM, INC.



⑈005582⑈ ⑆011201539⑆ 80 021 715⑈

Security features included. Details on back.

|                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |          |          |
|---------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------|
| TC97-129                                                      | Application by Telco Holdings, Inc. d/b/a Dial & Save for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: DJ/TZ) "Telco proposes to provide resold local exchange service to subscribers from all points within the state of South Dakota and, therefore, seeks statewide authorization. Specifically, Telco seeks authority to resell local exchange service in the existing service areas of U S WEST....The specific manner in which Telco will provide local exchange service depends upon the result of negotiations with the incumbent local exchange carriers currently operating within the State."                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 07/10/97 | 07/25/97 |
| <b>REQUEST FOR ELIGIBLE TELECOMMUNICATIONS COMPANY STATUS</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |          |          |
| TC97-125                                                      | Brookings Municipal Utilities - Telephone Department pursuant to 47 U.S.C. 214(e) and 47 CFR 54.201 hereby seeks designation as an eligible telecommunications carrier within the local exchange areas that constitute its service area in South Dakota. Brookings Telephone is the facilities-based local exchange carrier presently providing local exchange telecommunications services in the following exchange profiles in South Dakota: 688, 692, 693 and 697 - serving within the corporate limits of Brookings, SD; Brookings Telephone, to its knowledge, is the only carrier today providing local exchange telecommunications services in the above identified service area. (Staff: H/ROZ)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 07/07/97 | 07/25/97 |
| TC97-128                                                      | Hanson Communications d/b/a Hanson County Telephone Company pursuant to 47 U.S.C. 214(e) and 47 CFR 54.201 hereby seeks designation as an eligible telecommunications carrier within the local exchange areas that constitute its service area in South Dakota. Hanson County Telephone Company is a facilities-based local exchange carrier presently providing local exchange telecommunications services in the following exchange profiles in South Dakota: 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000. Hanson, to its knowledge, is the only carrier today providing local exchange telecommunications services in the above identified service area. (Staff: H/ROZ) | 07/10/97 | 07/25/97 |

PAGE 2 OF 2

| South Dakota<br>Public Utilities Commission<br>State Capitol 500 E. Capitol<br>Pierre, SD 57501-5070<br>Phone: (605) 332-1782<br>Fax: (605) 773-3809 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <h2 style="text-align: center;">TELECOMMUNICATIONS SERVICE FILINGS</h2> <p style="text-align: center;">These are the telecommunications service filings that the Commission has received for the period of:</p> <h3 style="text-align: center;">07/04/97 through 07/10/97</h3> <p style="text-align: center;">If you need a complete copy of a filing filed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five days of this filing.</p> |                       |
|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| DOCKET NUMBER                                                                                                                                        | TITLE/STAFF/SYNOPSIS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | DATE FILED                                                                                                                                                                                                                                                                                                                                                                                                                                                            | INTERVENTION DEADLINE |
| <b>REQUEST FOR CERTIFICATE OF AUTHORITY</b>                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                       |
| TC97-122                                                                                                                                             | Application by Access Point, Inc. for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: TS/TZ) "Applicant is a switchless reseller which intends to offer 1+ direct dialing, 800 toll free, and travel card (no prepaid calling cards) service through the resale of telephone services provided by facilities-based interexchange carriers."                                                                                            | 07/07/97                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 07/25/97              |
| TC97-123                                                                                                                                             | Application by USBG, Inc. for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: TS/TZ) "Applicant seeks authority to offer a full range of 1+ interexchange telecommunications services on a resale basis. Specifically, Applicant seeks authority to provide MTS, out-WATS, in-WATS and Calling Card services. Applicant does not intend to provide operator services, 900 or 700 services."                                            | 07/07/97                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 07/25/97              |
| TC97-124                                                                                                                                             | Application by Electric Lightwave, Inc. for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: TS/TZ) "Applicant seeks ... authority to provide 1+, business 800, business calling cards, and prepaid calling cards to the general public and to small and large business."                                                                                                                                                               | 07/07/97                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 07/25/97              |
| TC97-127                                                                                                                                             | Application by Telco Holdings, Inc. d/b/a Dial & Save for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: DJ/TZ) "Petitioner proposes to provide 24-hour intrastate interexchange telecommunications services, 800 services, and postpaid debit travel card services. ...Telco Holdings, Inc. hereby adopts the tariff of Dial & Save which has been approved and is on file with the Commission."                                     | 07/09/97                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 07/25/97              |
| TC97-128                                                                                                                                             | Application by Clarify Telecom LD Network Services, Inc. for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: DJ/TZ) "The specific services to be offered by Clarify include switched inbound and outbound services to employees of Clarify and switched and dedicated inbound and outbound services for commercial customers, calling cards and directory assistance services for presubscribed commercial and residential customers." | 07/10/97                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 07/25/97              |

PAGE 1 OF 2



RECEIVED

SEP 02 1997

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

August 28, 1997

VIA OVERNIGHT DELIVERY

Secretary  
South Dakota Public Utilities Commission  
500 E. Capitol Avenue  
Pierre, South Dakota 57501-5070

**RE: Application of Clarity Telecom LD Network Services, Inc. for a Certificate of  
Public Convenience and Necessity / Docket No. TC-97-128**

Dear Sir or Madam:

Enclosed on behalf of Clarity Telecom LD Network Services, Inc. ("Clarity") are an original and ten copies of Clarity's Supplement to Application which includes the information requested by the Commission Staff, and Clarity's tariff which also incorporates the Staff's requested revisions.

If you require any additional information, please do not hesitate to call me. Please acknowledge receipt of this application by date stamping a copy of this letter and returning it in the envelope provided. Thank you in advance.

Respectfully submitted,

Joyce E. Johnson  
Corporate & Regulatory Counsel  
(203) 882-4545

enclosures

BEFORE THE SOUTH DAKOTA  
PUBLIC UTILITIES COMMISSION

RECEIVED

SEP 02 1997

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION )  
OF CLARITY TELECOM LD NETWORK )  
SERVICES, INC. FOR A CERTIFICATE )  
OF AUTHORITY TO OPERATE AS A ) Docket No. TC-97-128  
RESELLER OF INTEREXCHANGE )  
TELECOMMUNICATIONS SERVICES )  
WITHIN THE STATE OF SOUTH DAKOTA )

SUPPLEMENT TO APPLICATION

In support of its Application Clarity Telecom LD Network Services, Inc.

("Applicant", "Clarity" or "Company") hereby submits the following information:

1. Applicant does not own or control any subsidiaries.
2. The person who should be contacted in connection with the general

management of Clarity, including complaints and regulatory matters is:

Thomas Maier  
Controller, Network Services  
Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460  
(203) 882-4080

3. Customer service will be available to customers 24 hours per day, seven days per week throughout the year. The toll-free number is 800-678-9866. Customer inquiries and complaints will be handled by a representative at the Company's National Customer Service Center. The customer service representative who handles the complaint will contact the underlying carrier and identify the customer and the customer's problem. The customer service representative will be in constant contact

with the underlying carrier until the problem is resolved to the customer's satisfaction.

Customers may call a toll-free number for billing concerns, which will appear on the bill, to speak with a customer service representative who can access the customer's bill and respond to any of the customer's billing concerns. The customer service representative will refer the billing issue to the Accounting Department for investigation if necessary and make any appropriate corrections. This number is 800-829-9866.

4. Clarity markets through its direct sales force and through in-house telemarketing. Company's sales representatives are compensated with a fixed salary plus commissions and bonuses based on sales and quota attainment.

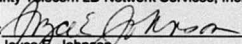
5. Applicant understands that the South Dakota Public Utilities Commission ("SDPUC") has in the past restricted applicants with unknown operating results from offering debit cards or collecting deposits or advance payments, and that the Applicant could file at a later time to remove such restrictions once operating results become known. Applicant agrees to such treatment in this application.

6. Attached hereto as Exhibit 5 Revised is Clarity's tariff which incorporates the revisions requested by the SDPUC.

Dated at Milford, Connecticut, this \_\_\_\_\_th day of August, 1997.

RESPECTFULLY SUBMITTED,

Clarity Telecom LD Network Services, Inc.

By: 

Joyce E. Johnson  
Corporate & Regulatory Counsel

RECEIVED

SEP 02 1997

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

Long Distance Resale Telecommunications Services

Tariff of

Clarity Telecom LD Network Services, Inc.

Filed with the

South Dakota Public Utilities Commission

---

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

## TABLE OF CONTENTS

|                                      | Page No. |
|--------------------------------------|----------|
| Title Page .....                     | 1        |
| Table of Contents .....              | 2        |
| Tariff Format .....                  | 3        |
| Table of Symbols .....               | 3        |
| Application of Tariff .....          | 4        |
| Availability of Service .....        | 4        |
| Limitations on Service .....         | 4        |
| Rendering and Payment of Bills ..... | 5        |
| Limitation of Liability .....        | 5        |
| Cancellation of Service .....        | 6        |
| Rates .....                          | 8        |
| Customer Service .....               | 10       |
| Definitions .....                    | 11       |

---

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

## TARIFF FORMAT

PAGE NUMBERING - Page numbers appear in the upper right corner of the page. Pages are numbered sequentially. However, new pages are occasionally added to the tariff. When a new page is added between sheets already in effect, a decimal is added. For example, a new page added between pages 1 and 2 would be page 1.1.

## TABLE OF SYMBOLS

EXPLANATION OF SYMBOLS - When changes are made in any tariff sheet, a revised sheet will be issued canceling the tariff sheet affected. Changes will be identified on the revised page(s) through the use of the following symbols:

- (C) - To signify changed condition or regulation
- (D) - To signify discontinued rate, regulation or condition
- (I) - To signify increase in rates or charges
- (L) - To signify material relocated from or to another part of this tariff with no change in text, rate, rule or condition
- (N) - To signify new material, including a listing, rate, rule or condition
- (R) - To signify a reduction in rate and charges
- (T) - To signify a change in the wording of text, but no change in the rate, rule or condition
- (X) - To signify a correction or reissued matter

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

**A. APPLICATION OF TARIFF**

This tariff sets forth the rates and rules applicable to the Long Distance Resale Service provided by Company in South Dakota. Long Distance Resale Service is a telecommunications service for hire that includes providing both interstate and intrastate long distance service to Subscribers through the resale of WATS and MTS-like service. Services will be furnished in accordance with these tariff schedules. Services are provided, as more fully described herein, by Company to customers located in areas served by Company.

The rates and rules contained herein are subject to change pursuant to the statutes, rules and regulations of the State of South Dakota.

**B. AVAILABILITY OF SERVICE**

Company offers Long Distance Resale Service to any person in its service area who desires to become a Customer. No deposit is required.

**C. LIMITATIONS ON SERVICE**

1. Services are offered subject to the availability of the necessary facilities and subject to the terms and conditions of this tariff.
2. Company reserves the right to discontinue service or cancel an application for service without liability upon written notice when necessitated by conditions beyond its control, and in accordance with Section F of this Tariff.
3. Service may not be used for any unlawful purpose.
4. There is no limit on the number of calls placed or the length of individual calls.

---

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

**NEXT**

**DOCUMENT (S)**

**BEST IMAGE**

**POSSIBLE**

**D. RENDERING AND PAYMENT OF BILLS**

1. Bills for service will be rendered monthly to each customer. Payment will be due within 10 days following the rendering of the bill. If payment is not received within 10 days of the rendering of a bill, then a late payment charge of one and one-quarter percent per month will be applied to the outstanding balance until payment is received.

2. Customer is responsible for the payment of bills for all calls or services, including any calls or services:

- a. Originated at the Customer's number(s),
- b. Accepted at the Customer's number(s) (e.g., Collect Calls),
- c. Billed to the Customer's number via Third Number Billing, if the Customer is found to be responsible for such call or service,
- d. Billed to the Customer's number via the use of a Calling Card or the use of a special billing number, or
- e. Incurred at the request of the Customer.

**E. LIMITATION OF LIABILITY**

1. Company shall not be liable for loss or damage sustained by reason of failure in or breakdown of facilities of third parties not under its control. In no event shall Company's liability for any failure, breakdown, or interruption in services exceed the charges applicable under this tariff of such service.

2. Company shall not be liable and shall be indemnified and saved harmless by any customer, end user, or other entity from all loss, claims, demands, suits, or other action or any liability whatever, whether suffered, made, instituted, or asserted by any customer, end user, or other entity for any personal injury to, or death of, any person or persons and for any loss, damage, defacement or destruction of the premises of any customer, end user or any other entity or any other property whether owned or controlled by the customer, end user, or others, caused or claimed to have been caused, directly or indirectly, by any act or omission

---

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

of the customer, end user, or others or by any installation, operation, failure to operate, maintenance, removal, presence, condition, location or use of facilities or equipment provided by Company which is not the direct result of Company's negligence. No agents or employees of any other entity shall be deemed to be the agents or employees of Company.

3. Company shall not be liable for any failure of performance due to causes beyond its control, including, without being limited to, acts of God, fires, lightning, floods or other catastrophes, national emergencies, insurrections, riots or wars, strikes, lockouts, work stoppage or other labor difficulties, any failure of local exchange company lines or delays caused by the local exchange company or the customer or end-user, and any law, order, regulation or other action of any governing authority or agency thereof.

4. The Customer is required to notify Company of any changes to Customer's equipment, including software controlling the equipment's function. Company is not liable for interruptions in service caused by Customer's failure to notify Company prior to any change.

#### F. CANCELLATION OF SERVICE

1. In the event of non-payment of any sum due, the use of foul or profane expressions, the impersonation of another with fraudulent intent, or any other violation of the Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996)(to be codified at 47 U.S.C. §§ 151 et seq.) and the Communications Act of 1934, as amended, or of the Rules and Regulations of the Federal Communications Commission or this state, Company may either temporarily deny service or terminate service.

2. Denial of Service Without Notice. Company may discontinue service without notice for any of the following reasons:

a. Unauthorized Use of Service. Customer's unauthorized use of service by any method which causes hazardous signals over the network.

b. Illegal Use of Service. Customer's use of service in a manner which violates the law.

---

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

3. Denial of Service Requiring Notice. Company may deny service for any of the following reasons provided it has notified the customer of its intent, in writing, to deny service and has allowed the customer a reasonable time of not less than 10 days, or as otherwise specified in these regulations, in which to remove the cause for denial:

a. Noncompliance with Regulations. For violation of or noncompliance with regulations of the South Dakota Public Utilities Commission, or for violation of or noncompliance with this Tariff.

b. Failure on Contractual Obligations. For failure of the Customer to fulfill its contractual obligations for service or facilities subject to regulation by the South Dakota Public Utilities Commission.

c. Non-payment of Bill.

(1) For non-payment of a bill of service, provided that Company has made a reasonable attempt to effect collection and has given the customer written notice of its intent to deny service if settlement of his account is not made and provided the customer has at least 5 days, excluding Sundays and holidays in which to make settlement before his service is denied.

(2) In cases of bankruptcy, receivership, abandonment of service, or abnormal toll usage, less than 5 days notice may be given if necessary to protect Company's revenues.

(3) Except in cases where a prior promise to pay has not been kept or bankruptcy, receivership, abandoned service, or abnormal toll usage is involved, Company may not deny service on the day preceding any day on which it is not prepared to accept payment of the amount due and to reconnect service.

4. Customers wishing to cancel any service under this tariff shall notify Company in writing at least 30 days prior to such cancellation.

---

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

**G. RATES**

Company examines Customer's traffic pattern including intrastate, interstate and international usage and determines under which Plan (Plan I or Plan II) (each Plan representing the rates of two different underlying carriers) Customer will receive the most beneficial rates based on the same.

**1. INFOSTAR® LD+ Switched Access - Intrastate:**

- Outward calling only
- Customers will be charged \$10.00 per month plus the following usage rates:

Plan I

\$0.1640 per min.

Plan II

\$0.1519 per min.

**2. ULTRASTAR LD+ Dedicated Access - Intrastate:**

- Outward calling only
- Customers will be charged \$10.00 per month plus the following usage rates:

Plan I

\$0.1200

Plan II

\$0.1305

**3. INFOSTAR® 800 Line - Intrastate:**

- Inward calling only
- There is a \$13.00 fee for listing in the 800 directory.
- Customers will be charged \$5.00 per month for each 800 number plus the following usage rates:

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

Plan I

\$0.2090 per min.

Plan II

\$0.1842 per min.

4. ULTRASTAR 800 Dedicated Line - Intrastate:

- Inward calling only
- Customers will be charged \$50.00 per month for each 800 service group plus the following usage rates:

Plan I

\$0.1490 per min.

Plan II

\$0.1167 per min.

5. Network Enhancement Charge

Each customer will be billed a monthly Network Enhancement Charge. This recurring charge will be 5% of the customer's total bill up to a maximum of \$212.73. Tax exempt entities are excluded.

6. Timing of Usage

a. Chargeable time begins when connection is established between the calling station and the called station, and ends when the calling station "hangs up." If the called station "hangs up" but the calling station does not, chargeable time ends when the network connection is released by automatic timing equipment in the telephone network.

b. For billing purposes, chargeable time is measured in six second increments.

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

7. Operator Service

Long distance operator service will be provided by Company's underlying carrier(s). Company's underlying carrier(s)' tariffed charges for operator service will be passed through to Customer.

8. Directory Assistance

Directory assistance calls will be routed to Company's underlying carrier(s). Company's underlying carrier(s)' tariffed charges for directory assistance service will be passed through to Customer.

9. INFOSTAR® Calling Card

INFOSTAR® calling card is available to all customers.

Plan I

\$0.3000

Plan II

\$0.3200

H. CUSTOMER SERVICE

Customer service is available to customers 24 hours per day, seven days per week throughout the year. Customer inquiries and complaints will be handled by the National Customer Service Center. The toll-free number for service related questions is 800-678-9866, and for billing inquiries it is 800-829-9866. The person who should be contacted in connection with the general management of Company is Thomas Maier, Controller, Network Services, 478 Wheelers Farms Road, Milford, CT 06460, (203) 882-4080.

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

In the event resolution with Company is not possible, Customer may contact the South Dakota Public Utilities Commission, State Capitol Building, 500 East Capitol Avenue, Pierre, South Dakota, 57501-5070, (605) 773-3201.

I. DEFINITIONS

1. COMPANY - Clarity Telecom LD Network Services, Inc.
2. ACCESS LINE - An access line provided by the Local Exchange Company in accordance with its tariffs.
3. CUSTOMER - A person, firm, corporation or other entity which contracts with Company for the provision of services offered by Company.
4. INFOSTAR<sup>®</sup> LD+ - A switched access long distance service which uses existing telephone lines. Virtual banding, offered in equal access areas. Calls can terminate interstate, intrastate (where authorized), throughout Canada and in all direct dial international countries. Outbound calling.
5. ULTRASTAR LD+ - A dedicated long distance service accessed by a T-1 installation. Virtual banding, calls can terminate interstate, intrastate (where authorized), Canadian and international termination. Outbound calling.
6. INFOSTAR<sup>®</sup> 800 - Inward calling service. Terminating access is via Local Exchange Carrier telephone lines. Calls are completed at the subscriber's location without charge to the caller. Virtual banding. Call origination from contiguous United States, Alaska, Hawaii, Puerto Rico, the U.S. Virgin Islands and Canada.
7. ULTRASTAR 800 - Inward calling service. Terminating access is via dedicated

---

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

circuit(s) usually a T-1. Calls are completed at the subscriber's location without charge to the caller. Virtual banding. Call origination from contiguous United States, Alaska, Hawaii, Puerto Rico and the U.S. Virgin Islands and Canada.

8. INFOSTAR® CALLING CARD - A calling card provided for customers who travel and make long distance calls away from home. Dialing instructions are on the back of each card. Can be used from contiguous U.S. Hawaii, Alaska, Puerto Rico, the U.S. Virgin Islands. Can be used in Canada to terminate calls to the U.S. Can be used with interstate, intrastate and international calls (where authorized).

9. VIRTUAL BANDING - In WATS services, virtual banding is the ability of trunks to carry traffic to all WATS bands, with billing based on the end points of the call instead of the band over which the traffic went.

---

Clarity Telecom LD Network Services, Inc.  
478 Wheelers Farms Road  
Milford, CT 06460

Issued:  
Effective:

Issued by:  
Neil Lichtman  
Vice President, Network Services

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

|                                              |                       |
|----------------------------------------------|-----------------------|
| <b>IN THE MATTER OF THE APPLICATION OF )</b> | <b>ORDER GRANTING</b> |
| <b>CLARITY TELECOM LD NETWORK )</b>          | <b>CERTIFICATE OF</b> |
| <b>SERVICES, INC. FOR A CERTIFICATE OF )</b> | <b>AUTHORITY</b>      |
| <b>AUTHORITY TO PROVIDE )</b>                |                       |
| <b>TELECOMMUNICATIONS SERVICES IN )</b>      | <b>TC97-128</b>       |
| <b>SOUTH DAKOTA )</b>                        |                       |

On July 10, 1997, the Public Utilities Commission (Commission), in accordance with SDCL 49-31-3 and ARSD 20:10:24.02, received an application for a certificate of authority from Clarity Telecom LD Network Services, Inc. (Clarity).

Clarity intends to resell interLATA and intraLATA interexchange services in South Dakota as a switchless, non-facilities-based reseller of long distance services including switched and dedicated inbound and outbound services to employees of Clarity and commercial customers. It will also provide calling cards and directory assistance services. A proposed tariff was filed by Clarity. The Commission has classified long distance service as fully competitive.

On July 10, 1997, the Commission electronically transmitted notice of the filing and the intervention deadline of July 25, 1997, to interested individuals and entities. No petitions to intervene or comments were filed and at its regularly scheduled September 9, 1997, meeting, the Commission considered Clarity's request for a certificate of authority. Commission Staff recommended granting a certificate of authority, subject to the condition that Clarity not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission.

The Commission finds that it has jurisdiction over this matter pursuant to Chapter 49-31, specifically 49-31-3 and ARSD 20:10:24.02 and 20:10:24.03. The Commission finds that Clarity has met the legal requirements established for the granting of a certificate of authority. Clarity has, in accordance with SDCL 49-31-3, demonstrated sufficient technical, financial and managerial capabilities to offer telecommunications services in South Dakota. The Commission approves Clarity's application for a certificate of authority, subject to the condition that Clarity not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission. As the Commission's final decision in this matter, it is therefore

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

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

Dated at Pierre, South Dakota, this 17<sup>th</sup> day of September, 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 first class mail, in properly addressed envelopes, with charges prepaid thereon.

By

*William Kaska*

Date

9/18/97

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

*James A. Burg*  
JAMES A. BURG, Chairman

*Pam Nelson*  
PAM NELSON, Commissioner

*Paula Schoenfelder*  
PAULA SCHOENFELDER, Commissioner

Date: 9/18/97

(OFFICIAL SEAL)

Pam Nelson  
PAM NELSON, Commissioner

Laska Schoenfelder  
LASKA SCHOENFELDER, Commissioner

# **SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

---

## **CERTIFICATE OF AUTHORITY**

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

Authority was Granted September 9, 1997  
Docket No. TC97-128

*This is to certify that*

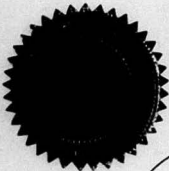
**CLARITY TELECOM LD NETWORK SERVICES, INC.**

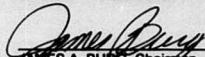
*is authorized to provide telecommunications services in South Dakota.*

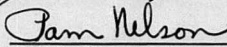
This certificate is issued in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, and is subject to all of the conditions and limitations contained in the rules and statutes governing its conduct of offering telecommunications services.

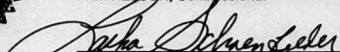
Dated at Pierre, South Dakota, this 17<sup>th</sup> day of September, 1997.

**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION:**



  
JAMES A. BURG, Chairman

  
PAM NELSON, Commissioner

  
ZASKA SCHOENFELDER, Commissioner