

KELLEY DRYE & WARREN LLP

A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

1200 19TH STREET, N.W.

SUITE 500

WASHINGTON, D. C. 20036

(202) 955-9600

TC97-153

FACSIMILE

(202) 955-9792

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SEP 18 1997

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

WRITER'S DIRECT LINE
(202) 955-9767

September 9, 1997

NEW YORK, N.Y.
LOS ANGELES, CA
MIAMI, FL
CHICAGO, IL
STAMFORD, CT
PARIS/PAPEY, N.J.

BRUSSELS, BELGIUM
HONG KONG

AFFILIATED OFFICES
NEW DELHI, INDIA
TOKYO, JAPAN

VIA OVERNIGHT DELIVERY

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

Re: Application of ACSI Local Switched Services, Inc.

Dear Mr. Bullard:

Enclosed please find an original and 10 copies of ACSI Local Switched Services, Inc.'s ("ACSI's") Application for authority to operate as a reseller of long distance telecommunications services for filing with the Commission. Also enclosed are the required \$250.00 filing fee and a duplicate copy of this filing. Please date-stamp the duplicate and return it in the self-addressed, postage-paid envelope provided.

Please do not hesitate to call me if you have any questions regarding this filing.

Respectfully submitted,

Andrea D. Pruitt
Andrea D. Pruitt

Enclosure

Before the
STATE OF SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION

Application of	)	
ACSI Local Switched Services, Inc.	)	
for Authority to Provide	)	Docket No.
Intrastate Interexchange Services	)	

APPLICATION

ACSI Local Switched Services, Inc. ("ACSI" or "Applicant"), by its attorneys, respectfully requests that the South Dakota Public Utilities Commission ("Commission") grant it a Certificate of Public Convenience and Necessity to provide intrastate interexchange services throughout the state of South Dakota, pursuant to the South Dakota Codified Laws Section 49-31-3 and Administrative Rules of South Dakota Sections 20:10:24:02 and 20:10:24:05. In addition, ACSI respectfully requests that the Commission approve its initial tariff effective as of the date of the order granting ACSI a Certificate of Public Convenience and Necessity. In support of its application, the Applicant provides the following information.

I. Identification of the Applicant

1. ACSI Local Switched Services, Inc. is incorporated under the laws of the State of Maryland and maintains its headquarters at 131 National Business Parkway, Suite 100,

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Annapolis Junction, Maryland 20701. A copy of ACSI's Articles of Incorporation is appended hereto as Exhibit A.

2. ACSI has authority to do business in South Dakota as a foreign corporation. A copy of Applicant's Certificate of Qualification is appended hereto as Exhibit B. The registered agent for service of process in South Dakota is CT Corporation System, 319 South Coteau Street, Pierre, SD 57501.

3. The Applicant is a wholly-owned subsidiary of American Communications Services, Inc. ("American Communications"), a publicly-held Delaware corporation headquartered at 131 National Business Parkway, Suite 100, Annapolis Junction, MD 20701. American Communications, through its operating subsidiaries, provides facilities-based local exchange and exchange access service in 19 states.

4. The officers of ACSI are:

J. Reich	President
G. Tronsrue	Chief Operating Officer
D. Piazza	Chief Financial Officer
R. Murphy	Secretary
A. Pompliano	Chairman

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II. Designated Contacts

5. All correspondence, notices and inquiries regarding this Application should be addressed to:

Brad E. Mutschelknaus
Marieann Z. Machida
Andrea D. Pruitt
KELLEY DRYE & WARREN LLP
1200 19th Street, N.W.
Suite 500
Washington, D.C. 20036
phone: (202) 955-9600
fax: (202) 955-9792

6. Copies of all correspondence should also be sent to:

Erica Zuba
Legal Assistant, Regulatory Affairs
AMERICAN COMMUNICATIONS SERVICES, INC.
131 National Business Parkway, Suite 100
Annapolis Junction, Maryland 20701
(301) 617-4200

7. ACSI's customers can reach its customer service center, toll-free, at 1-800-831-0309. Customer service representatives are available 24-hours a day, seven days per week. ACSI anticipates that most inquiries can be handled in a matter of minutes.

III. Description of Authority Requested

8. By this Application, ACSI seeks authority to provide intraLATA toll and interLATA intrastate telecommunications services to the public on a statewide basis using a combination of its own facilities and interexchange facilities and services obtained from other interexchange carriers ("IXCs"). ACSI seeks authority to provide a full range of

8-443-3635

interexchange services, including MTS, dedicated MTS, toll free, dedicated 800 access, calling card, debit card, audioconferencing and operator-assisted services. ACSI will abide by all rules governing long distance resellers that the Commission has promulgated or may promulgate in the future, unless application of such rules is specifically waived by the Commission or preempted by the Federal Communications Commission ("FCC") or under federal statute.

IV. Description and Fitness of the Applicant

9. ACSI and its parent company are well-qualified, financially, technically and managerially, to provide the services for which authority is requested in this Application. American Communications is a provider of integrated local voice and data communications service. American Communications, through its operating subsidiaries, is a rapidly growing competitive local exchange carrier, supplying business with advanced telecommunications services over its digital SONET-based fiber optic networks in 19 states.

10. The officers and directors of ACSI and American Communications have extensive experience in the telecommunications industry with companies such as Metropolitan Fiber Systems (the predecessor of MFS Communications Company, Inc.), TRT Communications, MCI, Cable and Wireless, Inc. and WorldCom, Inc. (formerly LDDS Communications, Inc.). The names, titles and backgrounds of the officers and directors of ACSI and American Communications are listed in Exhibit C hereto.

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11. Moreover, the officers and directors of ACSI and American Communications have developed significant technical expertise as a result of American Communications Operating Subsidiaries provision of facilities-based dedicated and switched local exchange and exchange access services in South Dakota. American Communications, through its operating subsidiaries, has constructed and is successfully operating 28 digital fiber optic networks and offering dedicated and switched local services. An additional 8 networks are under construction. ACSI will provide interexchange service using the networks of its affiliates as well as facilities and services provided by other IXC's.

12. As a newly-formed company, ACSI has no significant financial history. However, ACSI, through the strength of its parent corporation, American Communications, and affiliates, has access to ample capital to provide interexchange services in South Dakota. In the first quarter of 1997, American Communications reported revenues of \$8,176,675 as compared to revenues of \$816,639 during the three month period ended March 31, 1996. A copy of American Communication's most recent SEC Form 10-Q is attached hereto as Exhibit D.

13. ACSI has certificate applications pending in the following states: Alabama, Arizona, Arkansas, Florida, Georgia, Kansas, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Nevada, New Mexico, Oklahoma, South Carolina, Tennessee, and Texas. ACSI has never been denied certification or registration in any state.

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V. *Proposed Tariff*

14. ACSI intends to provide service in South Dakota pursuant to the terms and conditions outlined in its proposed tariff, which is attached hereto as Exhibit E. ACSI respectfully requests that the Commission approve its proposed tariff effective as of the date of the order granting ACSI a Certificate of Public Convenience and Necessity to provide intrastate interexchange and intraLATA toll services.

VI. *Requested Regulatory Treatment*

15. As a competitive provider of telecommunications services in South Dakota, ACSI respectfully requests that it be subject to the same streamlined regulatory treatment applicable to other competitive carriers.

VII. *Public Interest*

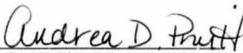
16. A decision by the Commission granting ACSI authority to provide intrastate interexchange telecommunications services is in the public interest. ACSI is well qualified to operate as an interexchange service provider in South Dakota. Moreover, ACSI's participation in the market for telecommunications services in South Dakota will promote competition, which will lead to the development of new services and products over time.

WHEREFORE, ACSI respectfully requests that the Commission grant it authority to conduct the business of a provider of intraLATA toll and interLATA telecommunications services within the State of South Dakota.

Respectfully submitted,

ACSI LOCAL SWITCHED SERVICES, INC.

By:



Brad E. Mutschelknaus
Maricann Z. Machida
Andrea D. Pruitt
KELLEY DRYE & WARREN LLP
1200 19th Street, N.W.
Suite 500
Washington, D.C. 20036

Its Attorneys

DATED: September 9, 1997

Q. 101-4428

EXHIBIT A

STATE OF MARYLAND

515405

STATE DEPARTMENT OF
ASSESSMENTS AND TAXATION

301 West Preston Street Baltimore, Maryland 21201

DATE: MARCH 17, 1997

THIS IS TO ADVISE YOU THAT THE ARTICLES OF AMENDMENT WITH A NAME
CHANGE FOR ACSI SWITCHED SERVICES, INC. CHANGING TO ACSI LOCAL
SWITCHED SERVICES, INC.
WERE RECEIVED AND APPROVED FOR RECORD ON MARCH 17, 1997 AT 9:16 AM.

FEE PAID:

78.00



JOSEPH V. STEWART
CHARTER SPECIALIST

ATS-001

ACSI Switched Services, Inc.

ARTICLES OF AMENDMENT

ACSI Switched Services, Inc., a Maryland Corporation having its principal offices in Annapolis Junction, Maryland (hereinafter called the Corporation), hereby certifies to the State Department of Assessments and Taxation of Maryland, that:

FIRST: The charter of the Corporation is hereby amended by striking out Article 2. of the Articles of Incorporation as heretofore amended, and inserting in lieu thereof the following:

The name of the corporation (which is hereinafter called the "Corporation") is: ACSI Local Switched Services, Inc.

SECOND: The board of directors of the Corporation by unanimous written consent pursuant to Section 2-408 of Corporations and Associations Article of the Annotated Code of Maryland on March 13, 1997, duly adopted a resolution in which was set forth the forgoing amendment to the charter, declaring that the said amendment of the charter as proposed was advisable and directing that it be submitted for action thereon by the stockholders of the Corporation.

THIRD: The amendment of the charter of the Corporation as hereinabove set forth has been duly advised by the board of directors and approved by the stockholders of the Corporation.

ACSI Switched Services, Inc.

By 
Douglas R. Hudson
Executive Vice President

Witness (Attest)


Riley M. Murphy, Secretary

MD - 594 - 1/23/81

THE UNDERSIGNED, Vice President of ACSI Switched Services, Inc., who executed on behalf of said corporation the foregoing Articles of Amendment, of which this certificate is made a part, hereby acknowledges, in the name and on behalf of said corporation, the foregoing Articles of Amendment to be the corporate act of said corporation and further certifies that, to the best of his knowledge, information and belief, the matters and facts set forth therein with respect to the approval thereof are true in all material respects, under the penalties of perjury.


Douglas R. Hudson

MD - 594 - 1/23/81
OF 10000

STATE OF MARYLAND

489256

STATE DEPARTMENT OF
ASSESSMENTS AND TAXATION

301 West Preston Street Baltimore, Maryland 21201

DATE: NOVEMBER 27, 1996

THIS IS TO ADVISE YOU THAT THE ARTICLES OF INCORPORATION FOR
ACSI SWITCHED SERVICES, INC.
WERE RECEIVED AND APPROVED FOR RECORD ON NOVEMBER 27, 1996 AT 1:26 PM.

FEE PAID:

70.00



ATS-001

HARRY J. NOONAN
CHARTER SPECIALIST

ACSI SWITCHED SERVICES, INC.

ARTICLES OF INCORPORATION

P. 27 7

FIRST: THE UNDERSIGNED, Stephen A. Riddick, whose address is Charles Center South, 36 South Charles Street, Baltimore, Maryland 21201, being at least eighteen years of age, acting as incorporator, does hereby form a corporation under and by virtue of the General Laws of the State of Maryland.

SECOND: The name of the corporation (which is hereinafter called the "Corporation") is:

ACSI SWITCHED SERVICES, INC.

THIRD: (a) The purposes for which and any of which the Corporation is formed and the business and objects to be carried on and promoted by it are:

(1) Providing various telecommunications and network development services.

(2) To engage in any one or more businesses or transactions, or to acquire all or any portion of any entity engaged in any one or more businesses or transactions which the Board of Directors may from time to time authorize or approve, whether or not related to the business described elsewhere in this Article or to any other business at the time or theretofore engaged in by the Corporation.

(b) The foregoing enumerated purposes and objects shall be in no way limited or restricted by reference to, or inference from, the terms of any other clause of this or any other Article of the charter of the Corporation, and each shall be regarded as independent; and they are intended to be and shall be construed as powers as well as purposes and objects of the Corporation and shall be in addition to and not in limitation of the general powers of corporations under the General Laws of the State of Maryland.

FOURTH: The present address of the principal office of the Corporation in this State is 131 National Business Parkway, Suite 100, Annapolis Junction, Maryland 20701.

FIFTH: The name and address of the resident agent of the Corporation in this State are P&M Agent Corp., 36 South Charles Street, Baltimore, Maryland 21201. Said resident agent is a citizen of the State of Maryland who resides there.

SIXTH: (a) The total number of shares of stock of all classes which the Corporation has authority to issue is 200 shares of capital stock (no par value). All of such shares are initially classified as "Common Stock". The Board of Directors may classify and reclassify any unissued shares of capital stock by setting or changing in any one or more respects the preferences conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications or terms or conditions of redemption of such shares of stock.

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(b) The following is a description of the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption of the Common Stock of the Corporation:

(1) Each share of Common Stock shall have one vote, and, except as otherwise provided in respect of any class of stock hereafter classified or reclassified, the exclusive voting power for all purposes shall be vested in the holders of the Common Stock.

(2) Subject to the provisions of law and any preferences of any class of stock hereafter classified or reclassified, dividends, including dividends payable in shares of another class of the Corporation's stock, may be paid on the Common Stock of the Corporation at such time and in such amounts as the Board of Directors may deem advisable.

(3) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Common Stock shall be entitled, after payment or provision for payment of the debts and other liabilities of the Corporation and the amount to which the holders of any class of stock hereafter classified or reclassified having a preference on distributions in the liquidation, dissolution or winding up of the Corporation shall be entitled, together with the holders of any other class of stock hereafter classified or reclassified not having a preference on distributions in the liquidation, dissolution or winding up of the Corporation, to share ratably in the remaining net assets of the Corporation.

(c) Subject to the foregoing, the power of the Board of Directors to classify and reclassify any of the shares of capital stock shall include, without limitation, subject to the provisions of the charter, authority to classify or reclassify any unissued shares of such stock into a class or classes of preferred stock, preference stock, special stock or other stock, and to divide and classify shares of any class into one or more series of such class, by determining, fixing, or altering one or more of the following:

(1) The distinctive designation of such class or series and the number of shares to constitute such class or series; provided that, unless otherwise prohibited by the terms of such or any other class or series, the number of shares of any class or series may be decreased by the Board of Directors in connection with any classification or reclassification of unissued shares and the number of shares of such class or series may be increased by the Board of Directors in connection with any such classification or reclassification, and any shares of any class or series which have been redeemed, purchased, otherwise acquired or converted into shares of Common Stock or any other class or series shall become part of the authorized capital stock and be subject to classification and reclassification as provided in this Section.

(2) Whether or not and, if so, the rates, amounts and times at which, and the conditions under which, dividends shall be payable on shares of such class or series, whether any such dividends shall rank senior or junior to or on a parity with the dividends

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payable on any other class or series of stock, and the status of any such dividends as cumulative, cumulative to a limited extent or non-cumulative and as participating or non-participating.

(3) Whether or not shares of such class or series shall have voting rights, in addition to any voting rights provided by law and, if so, the terms of such voting rights.

(4) Whether or not shares of such class or series shall have conversion or exchange privileges and, if so, the terms and conditions thereof, including provision for adjustment of the conversion or exchange rate in such events or at such times as the Board of Directors shall determine.

(5) Whether or not shares of such class or series shall be subject to redemption and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates; and whether or not there shall be any sinking fund or purchase account in respect thereof, and if so, the terms thereof.

(6) The rights of the holders of shares of such class or series upon the liquidation, dissolution or winding up of the affairs of, or upon any distribution of the assets of, the Corporation, which rights may vary depending upon whether such liquidation, dissolution or winding up is voluntary or involuntary and, if voluntary, may vary at different dates, and whether such rights shall rank senior or junior to or on a parity with such rights of any other class or series of stock.

(7) Whether or not there shall be any limitations applicable, while shares of such class or series are outstanding, upon the payment of dividends or making of distributions on, or the acquisition of, or the use of moneys for purchase or redemption of, any stock of the Corporation, or upon any other action of the Corporation, including action under this Section, and, if so, the terms and conditions thereof.

(8) Any other preferences, rights, restrictions, including restrictions on transferability, and qualifications of shares of such class or series, not inconsistent with law and the charter of the Corporation.

(d) For the purposes hereof and of any articles supplementary to the charter providing for the classification or reclassification of any shares of capital stock or of any other charter document of the Corporation (unless otherwise provided in any such articles or document), any class or series of stock of the Corporation shall be deemed to rank:

(1) prior to another class or series either as to dividends or upon liquidation, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable on liquidation, dissolution or winding up, as the case may be, in preference or priority to holders of such other class or series;

(2) on a parity with another class or series either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation price per share thereof be different from those of such others, if the holders of such class or series of stock shall be entitled to receipt of dividends or amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective dividend rates or redemption or liquidation prices, without preference or priority over the holders of such other class or series; and

(3) junior to another class or series either as to dividends or upon liquidation, if the rights of the holders of such class or series shall be subject or subordinate to the rights of the holders of such other class or series in respect of the receipt of dividends or the amounts distributable upon liquidation, dissolution or winding up, as the case may be.

SEVENTH: The number of directors of the Corporation shall initially be three (3) , which number may be increased or decreased by at least two-thirds of the directors then in office pursuant to the By-Laws of the Corporation, but shall never be less than the minimum number permitted by the General Laws of the State of Maryland now or hereafter in force. The initial director(s) shall be:

Richard A. Kozak
Christopher L. Rafferty
Olivier L. Trouveroy

EIGHTH: (a) The following provisions are hereby adopted for the purpose of defining, limiting, and regulating the powers of the Corporation and of the directors and stockholders:

(1) The Board of Directors is hereby empowered to authorize the issuance from time to time of shares of its stock of any class, whether now or hereafter authorized, or securities convertible into shares of its stock of any class or classes, whether now or hereafter authorized, for such consideration as may be deemed advisable by the Board of Directors and without any action by the stockholders.

(2) No holder of any stock or any other securities of the Corporation, whether now or hereafter authorized, shall have any preemptive right to subscribe for or purchase any stock or any other securities of the Corporation other than such, if any, as the Board of Directors, in its sole discretion, may determine and at such price or prices and upon such other terms as the Board of Directors, in its sole discretion, may fix; and any stock or other securities which the Board of Directors may determine to offer for subscription may, as the Board of Directors in its sole discretion shall determine, be offered to the holders of any class, series or type of stock or other securities at the time outstanding to the exclusion of the holders of any or all other classes, series or types of stock or other securities at the time outstanding.

(3) The Board of Directors of the Corporation shall, consistent with applicable law, have power in its sole discretion to determine from time to time in accordance with sound accounting practice or other reasonable valuation methods what constitutes annual

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or other net profits, earnings, surplus, or net assets in excess of capital; to fix and vary from time to time the amount to be reserved as working capital, or determine that retained earnings or surplus shall remain in the hands of the Corporation; to set apart out of any funds of the Corporation such reserve or reserves in such amount or amounts and for such proper purpose or purposes as it shall determine and to abolish any such reserve or any part thereof; to distribute and pay distributions or dividends in stock, cash or other securities or property, out of surplus or any other funds or amounts legally available therefor, at such times and to the stockholders of record on such dates as it may, from time to time, determine; and to determine whether and to what extent and at what times and places and under what conditions and regulations the books, accounts and documents of the Corporation, or any of them, shall be open to the inspection of stockholders, except as otherwise provided by statute or by the By-Laws, and, except as so provided, no stockholder shall have any right to inspect any book, account or document of the Corporation unless authorized so to do by resolution of the Board of Directors.

(4) Notwithstanding any provision of law requiring the authorization of any action by a greater proportion than a majority of the total number of shares of all classes of capital stock or of the total number of shares of any class of capital stock, such action shall be valid and effective if authorized by the affirmative vote of the holders of a majority of the total number of shares of all classes outstanding and entitled to vote thereon, except as otherwise provided in the charter.

(5) The Corporation shall indemnify (A) its directors and officers, whether serving the Corporation or at its request any other entity, to the full extent required or permitted by the General Laws of the State of Maryland now or hereafter in force, including the advance of expenses under the procedures and to the full extent permitted by law, and (B) other employees and agents to such extent as shall be authorized by the Board of Directors or the By-Laws and as permitted by law. The foregoing rights of indemnification shall not be exclusive of any other rights to which those seeking indemnification may be entitled. The Board of Directors may take such action as is necessary to carry out these indemnification provisions and is expressly empowered to adopt, approve and amend from time to time such by-laws, resolutions or contracts implementing such provisions or such further indemnification arrangements as may be permitted by law. No amendment of the charter of the Corporation or repeal of any of its provisions shall limit or eliminate the right of indemnification provided hereunder with respect to acts or omissions occurring prior to such amendment or repeal.

(6) To the fullest extent permitted by Maryland statutory or decisional law, as amended or interpreted, no director or officer of this Corporation shall be personally liable to the Corporation or its stockholders for money damages. No amendment of the charter of the Corporation or repeal of any of its provisions shall limit or eliminate the limitation of liability provided to directors and officers hereunder with respect to any act or omission occurring prior to such amendment or repeal.

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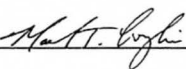
(7) The Corporation reserves the right from time to time to make any amendments of its charter which may now or hereafter be authorized by law, including any amendments changing the terms or contract rights, as expressly set forth in its charter, of any of its outstanding stock by classification, reclassification or otherwise.

(b) The enumeration and definition of particular powers of the Board of Directors included in the foregoing shall in no way be limited or restricted by reference to or inference from the terms of any other clause of this or any other Article of the charter of the Corporation, or construed as or deemed by inference or otherwise in any manner to exclude or limit any powers conferred upon the Board of Directors under the General Laws of the State of Maryland now or hereafter in force.

NINTH: The duration of the Corporation shall be perpetual.

IN WITNESS WHEREOF, I have signed these Articles of Incorporation, acknowledging the same to be my act, on November 26, 1996.

WITNESS:



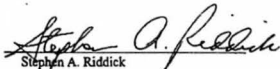

Stephen A. Riddick

EXHIBIT B

State of South Dakota



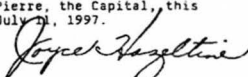
OFFICE OF THE SECRETARY OF STATE

CERTIFICATE OF AUTHORITY

I, JOYCE HAZELTINE, Secretary of State of the State of South Dakota, hereby certify that the Application for a Certificate of Authority of ACSI LOCAL SWITCHED SERVICES, INC. (MO) 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 ACSI LOCAL SWITCHED 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 July 11, 1997.


JOYCE HAZELTINE
Secretary of State



State of South Dakota



OFFICE OF THE SECRETARY OF STATE

CERTIFICATE OF GOOD STANDING

FOREIGN CORPORATION

I, Joyce Hazeltine, Secretary of State of the State of South Dakota, do hereby certify that ACSI LOCAL SWITCHED SERVICES, INC. (MD) was authorized to transact business in this state on July 11, 1997.

I, further certify that said corporation has complied with the South Dakota law governing foreign corporations transacting business in this state, and so far as the records of this office show, said corporation is in good standing in this State at the date hereof and duly authorized to transact business in the State of South Dakota. This certificate is not to be construed as an endorsement, recommendation or notice of approval of the corporation's financial condition or business activities and practices. Such information is not available from this office.



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 July 11, 1997.

Joyce Hazeltine
JOYCE HAZELTINE
Secretary of State

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EXHIBIT C

DC01/PRULA/48960.41

Management Biographies

Directors

Christopher L. Rafferty, Director, was elected a director of the Company in October 1994. Mr. Rafferty has been employed by WRH Partners, L.L.C., the general partner of Huff since June 1994. From January 1993 to February 1994, Mr. Rafferty was Vice President -- Acquisitions for Windsor Pet Care, Inc., a venture capital-backed firm focusing on consolidating the pet care services industry. From October 1990 to January 1993, Mr. Rafferty was a consultant specializing in merchant banking, leveraged acquisitions and venture capital transactions. From June 1987 to the time he started his consulting business, Mr. Rafferty was a Managing Director of Chase Manhattan Capital Corporation, the merchant banking and private equity investment affiliate of Chase Manhattan Corporation. Mr. Rafferty also serves as a director of Del Monte Foods Company. Mr. Rafferty received his undergraduate degree from Stanford University and his law degree from Georgetown University.

Olivier L. Trouveroy, Director, was elected a director of the Company in June 1995. Since 1992, Mr. Trouveroy has been employed by ING and its predecessors and affiliates and currently serves as a Managing Director responsible for originating, structuring and managing equity and debt investments. From 1990 to 1992, Mr. Trouveroy was a Managing Director in the Corporate Finance Group ("CFG") of General Electric Capital Corporation in charge of CFG's office in Paris, France. From 1984 to 1990, Mr. Trouveroy held various positions in the Mergers and Acquisitions department of Drexel Burnham Lambert in New York, most recently as a First Vice President. Mr. Trouveroy also serves as a director of AccessLine Technologies, Inc. and Cost Plus, Inc. Mr. Trouveroy holds B.S. and Masters degrees in Economics from the University of Louvain in Belgium, as well as an MBA from the University of Chicago.

Director & Officer

Jack E. Reich, President, had 22 years of telecommunications industry and management experience before joining ACSI in December 1996. For two and one-half years prior to joining ACSI, Mr. Reich was employed by Ameritech, Inc. as President of its Custom Business Service Organization, where Mr. Reich was responsible for full business marketing to Ameritech's largest customers for telecommunications services, advanced data services, electronic commerce and managed services/outsource initiatives. Prior to that, he served as President of MCI's Multinational Accounts organization and also served as MCI's Vice President of Products Marketing. Mr. Reich has also held sales and marketing positions at AT&T and ROLM Corp. Mr. Reich has a B.S. degree from St. Louis University and an MBA from the University of Chicago.

Officers

Anthony J. Pompliano, Chairman, has more than 30 years of experience in the telecommunications industry. Mr. Pompliano was elected a director of the Company in November 1993. He was co-founder and President of Metropolitan Fiber Systems, the predecessor organization to MFS Communications, a publicly-traded CLEC that was acquired by WorldCom, Inc. in December 1996. Mr. Pompliano served as President, CEO and Vice Chairman of MFS Communications from April 1988 until March 1991. He joined ACSI in August 1993 after the expiration of his non-competition agreement with MFS Communications. Before his association with MFS Communications and its predecessor, he was Vice President -- Operations and Sales for MCI Telecommunications International from 1981 to 1987, and prior thereto, was Vice President -- National Operations for Western Union International, Inc. from 1960 to 1981.

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George M. Tronsrue, III, Chief Operating Officer, had 17 years of telecommunications industry and management experience before joining ACSI in February 1994. Mr. Tronsrue served the Company as Executive Vice President -- Strategic Planning and Business Development from February 1994 until January 31, 1996. From 1993 until he joined ACSI in February 1994, Mr. Tronsrue was the Regional Vice President for the Central Region for Teleport Communications Group and the Vice President of Emerging Markets, responsible for start-up and profit and loss management of joint ventures with major cable television providers in eight major markets. From 1987 until 1992, he was a member of the initial management team at MFS, where he held senior positions in planning and market development, served as Vice President of Sales and the Vice President/General Manager for the initial start-up of MFS' New York operations, and served as the Executive Vice President for MFS-Intelenet. Prior to joining MFS, he was a Director of Operations for MCI Telecommunications International. Mr. Tronsrue has a B.S. degree in Applied Sciences and Engineering from the United States Military Academy at West Point.

Riley M. Murphy, Secretary, had twelve years of experience in the private practice of telecommunications regulatory law for inter-exchange, cellular, paging and other competitive telecommunication services prior to joining the Company. Since February 1995, she has served as an officer and director of The Association for Local Telecommunications Services. Ms. Murphy joined ACSI on a full-time basis in April 1994 and was senior counsel to Locke Purnell Rain Harrell, a Dallas-based law firm through December 1994. From 1987 to 1992, Ms. Murphy was a partner of Wirpel and Murphy, a telecommunications law firm she co-founded, and from 1992 to 1993 she was a sole practitioner. She holds a B.A. degree from the University of Colorado and a J.D. from the Catholic University of America and is admitted to practice law in the District of Columbia and Louisiana.

David L. Piazza, Chief Financial Officer, will joined the Company in March 1997. For ten years prior to joining the Company, Mr. Piazza was employed by MFS Communications in a variety of finance and senior management positions, most recently as the Senior Vice President and Chief Financial Officer of MFS Telecom, Inc., a subsidiary of MFS Communications. Prior to his employment with MFS Communications, Mr. Piazza was employed by AT&T for four years in its finance and support divisions. Mr. Piazza received his B.S. degree in Accountancy from the University of Illinois and holds a CPA.

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EXHIBIT D

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U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 1997

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE
EXCHANGE ACT

For the transition period from _____ to _____

COMMISSION FILE NUMBER 0-25314

AMERICAN COMMUNICATIONS SERVICES, INC.

(Exact name of small business issuer as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

52-1947746

(I.R.S. Employer
Identification No.)

131 National Business Parkway, Annapolis Junction, MD 20701

(Address of principal executive offices)

(301) 617-4200

(Issuer's telephone number)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the last 90 days. Yes ☒ No ☐

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of August 11, 1997, Common Stock, Par Value \$0.01 — 36,210,387

Transitional Small Business Disclosure Format: Yes ☐ No ☒

AMERICAN COMMUNICATIONS SERVICES, INC.

FORM 10 — QSB

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PART I
FINANCIAL INFORMATION

ITEM 1 — Financial Statements

AMERICAN COMMUNICATIONS SERVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 1996	June 30, 1997 (Unaudited)
ASSETS		
Current Assets		
Cash and Cash equivalents	\$ 78,618,544	\$ 8,499,115
Restricted cash	2,342,152	5,156,258
Accounts receivable, net	2,429,077	6,653,925
Other current assets	1,202,711	1,461,345
Total current assets	84,592,484	21,770,643
Networks, furniture and equipment, gross	144,403,123	219,933,362
(less: Accumulated depreciation)	(8,320,372)	(17,029,394)
	136,082,751	202,903,968
Deferred financing fees	8,380,283	10,340,377
Goodwill (net of accumulated amortization)	—	7,748,679
Other assets	982,649	617,309
Total assets	<u>\$230,038,167</u>	<u>\$243,380,976</u>
LIABILITIES, REDEEMABLE STOCK, OPTIONS AND WARRANTS AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 33,587,407	\$ 28,621,966
Accrued liabilities	4,132,132	5,097,044
Notes payable — current portion	872,031	1,325,532
Total current liabilities	38,591,570	35,044,542
Long Term Liabilities		
Notes payable	209,538,226	223,753,180
Other Long Term Liabilities	—	808,781
Dividends payable	6,945,943	—
Total liabilities	255,075,739	259,606,503
Redeemable stock, options and warrants	2,000,000	2,000,000
Stockholders' Equity		
Preferred stock, \$1.00 par value, 186,664 shares authorized and designated as 9% Series A-1 Convertible Preferred Stock, 186,664 and 0 shares, respectively, issued and outstanding	186,664	—
Preferred stock, \$1.00 par value, 277,500 shares designated as 9% Series B Convertible Preferred Stock, authorized, 277,500 and 0, respectively, issued and outstanding	277,500	—
Common Stock, \$0.01 par value, 75,000,000 shares authorized, 6,784,996 and 35,926,902 shares, respectively, issued and outstanding	67,850	359,269
Additional paid-in-capital	54,870,194	113,564,536
Accumulated deficit	(82,439,780)	(132,149,332)
Total stockholders' equity/(deficit)	(27,037,572)	(18,225,527)
Total Liabilities, Redeemable Stock, Options and Warrants and Stockholders' Equity/(deficit)	<u>\$230,038,167</u>	<u>\$243,380,976</u>

See accompanying notes to unaudited condensed consolidated interim financial statements.

AMERICAN COMMUNICATIONS SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the three months ended		For the six months ended	
	June 30, 1996	June 30, 1997	June 30, 1996	June 30, 1997
	(Unaudited)			
Revenues	\$ 1,609,621	\$11,615,836	\$ 2,426,260	\$19,792,511
Operating Expenses				
Network, development and operations	388,347	9,357,277	2,342,861	18,026,390
Selling, general and administrative	7,735,834	15,893,562	10,386,097	29,818,429
Non-cash compensation expense	(454,339)	584,458	1,531,426	824,002
Depreciation and amortization	<u>1,685,765</u>	<u>5,338,596</u>	<u>2,315,769</u>	<u>9,456,250</u>
Total Operating Expenses	9,355,607	31,173,893	16,576,153	58,125,071
Non-operating income/expenses				
Interest and other income	(2,970,916)	(193,620)	(3,632,229)	(1,077,691)
Interest and other expense	<u>4,141,366</u>	<u>6,287,621</u>	<u>7,641,990</u>	<u>12,420,763</u>
Net loss before minority interest	8,916,436	25,652,058	18,159,654	49,675,632
Minority interest	<u>(154,671)</u>	<u>—</u>	<u>(256,745)</u>	<u>—</u>
Net loss	<u>8,761,765</u>	<u>25,652,058</u>	<u>17,902,909</u>	<u>49,675,632</u>
Preferred stock dividends/accretion	<u>1,061,344</u>	<u>106,201</u>	<u>2,016,833</u>	<u>1,094,839</u>
Net loss to common stockholders	<u>9,823,109</u>	<u>25,758,259</u>	<u>19,919,742</u>	<u>50,770,471</u>
Net loss per common/common equivalent share	\$ (1.49)	\$ (0.92)	\$ (3.03)	\$ (2.82)
Average number of common/common equivalent shares outstanding	<u>6,605,501</u>	<u>28,025,238</u>	<u>6,572,061</u>	<u>17,994,161</u>

See accompanying notes to unaudited condensed consolidated interim financial statements.

AMERICAN COMMUNICATIONS SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the six months ended	
	June 30, 1996	June 30, 1997
	(Unaudited)	
Cash Flow from Operating Activities		
Net Loss	\$(17,902,909)	\$(49,675,632)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	2,294,569	9,456,250
Interest deferral and accretion	7,573,427	12,239,366
Amortization of deferred financing fees	668,317	473,666
Provision for doubtful accounts	151,934	859,621
Loss attributable to minority interest	(324,012)	—
Noncash compensation	1,531,426	824,002
Changes in operating assets and liabilities		
Restricted cash related to operating activities	—	(2,814,106)
Trade accounts receivable	(330,530)	(5,084,469)
Other current assets	(458,272)	(258,634)
Other assets	(107,574)	365,340
Accounts payable	16,271,487	(4,162,403)
Other accrued liabilities	(1,666,634)	964,912
Net cash provided by (used in) operating activities	7,701,229	(36,812,087)
Cash flows from investing activities		
Restricted cash related to network activities	(890,152)	—
Purchase of furniture and equipment	(1,538,943)	(4,911,864)
Network development costs	(41,660,076)	(68,301,375)
Net cash (used in) investing activities	(44,089,171)	(73,213,239)
Cash flows from financing activities		
Issuance of notes payable and warrants	66,234,486	1,737,297
Issuance of common stock	—	40,702,000
Issuance of Series B Preferred Stock	274,682	—
Payment of notes payable	—	(238,291)
Payment of dividends	—	(290,193)
Payment of deferred financing fees	(3,459,582)	(3,299,499)
Warrant and stock option exercises	279,233	1,294,583
Net cash flow provided by financing activities	63,328,819	39,905,897
Net increase/(decrease) in cash and cash equivalents	26,940,877	(70,119,429)
Cash and cash equivalents — beginning of period	\$107,175,104	\$ 78,618,544
Cash and cash equivalents — end of period	\$134,115,981	\$ 8,499,115
Supplemental disclosure of cash flow information		
Dividends declared with preferred stock	\$ 2,016,833	\$ 1,094,839
(Decrease) in accrued redeemable warrant cost	\$ (504,554)	\$ —
(Increase) in goodwill	\$ —	\$ (8,118,632)

See accompanying notes to unaudited condensed consolidated interim financial statements.

AMERICAN COMMUNICATIONS SERVICES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS

Business and Organization

American Communications Services, Inc. (ACSI or the Company) provides a broad range of integrated local voice and data communications services primarily to commercial customers in mid-sized markets in the southern United States. The Company manages and operates its own local fiber optic networks.

Basis of Presentation and Related Matters

Effective December 31, 1996, the Company changed its fiscal year from a twelve month period ended June 30, to a twelve month period ended December 31. The consolidated financial statements include the accounts of ACSI and its majority-owned subsidiaries. All of the Company's subsidiaries are wholly owned with the exception of the Louisville, Fort Worth, El Paso, Greenville and Columbia subsidiaries, in which the Company has a 92.75% ownership interest. All material intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, the accompanying unaudited interim financial information reflects all adjustments, consisting of normal recurring accruals, necessary for a fair presentation thereof. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to instructions, rules and regulations prescribed by the Securities and Exchange Commission. Although the Company believes that the disclosures provided are adequate to make the information presented not misleading, these unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996. Operating results for the three and six months periods ended June 30, 1997 are not necessarily indicative of the results expected for the full year.

Significant Accounting Policies

Cash Equivalents and Restricted Cash

Pursuant to SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", the Company's short- and long-term debt securities and marketable equity securities are accounted for at market value. The fair market value of short- and long-term investments is determined based on quoted market prices for those investments. The Company's marketable securities have been classified as available for sale and are recorded at current market value with an offsetting adjustment to stockholders' equity (deficit).

The Company's investments consist of commercial paper, U.S. Government Securities and money market instruments, all with original maturities of 90 days or less. The fair market value of such securities approximates amortized cost. At December 31, 1996 and June 30, 1997, cash equivalents consists of government securities and overnight investments.

The Company has provided performance bonds and letters of credit in various cities in connection with its operations, resulting in a restriction of cash amounting to \$2,342,152 and \$5,156,258 at December 31, 1996 and June 30, 1997, respectively. The face amount of all bonds and letters of credits was approximately \$6,200,000 as of December 31, 1996, and 8,072,000 as of June 30, 1997.

Networks, Equipment and Furniture

Networks, equipment and furniture are stated at cost less accumulated depreciation and amortization. Costs capitalized during the network development stage include expenses associated with network engineering, design and construction, negotiation of rights-of-way, obtaining legal and regulatory authorizations and the amount of interest costs associated with the network development.

AMERICAN COMMUNICATIONS SERVICES, INC.
 NOTES TO UNAUDITED CONDENSED CONSOLIDATED
 INTERIM FINANCIAL STATEMENTS — (Continued)

Provision for depreciation of networks, equipment and furniture is computed using the straight-line method over the estimated useful lives of the assets beginning in the month a network is substantially complete and available for use and equipment and furniture are acquired.

The estimated useful lives of the Company's principal classes of assets are as follows:

Networks:

Fiber optic cables and installation costs	20 years
Telecommunications equipment	3-7 years
Interconnection and collocation costs	3-10 years
Leasehold improvements	Life of lease
Furniture and fixtures	5 years
Capitalized network development costs	3-20 years

The Company adopted the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" on January 1, 1996. This statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Adoption of this statement did not have a material impact on the Company's financial position, results of operations, or liquidity.

Deferred Financing Fees

Deferred financing fees include commitment fees and other costs related to certain debt financing transactions and are being amortized using the effective interest method over the initial term of the related debt.

Revenue Recognition

Revenue is recognized as services are provided. Billings to customers for services in advance of providing such services are deferred and recognized as revenue when earned. The Company also enters into managed services agreements with certain customers. Under such agreements the Company provides use of Company owned equipment, collocation and network access services. Revenue is recognized on a monthly basis as these services are provided to the customer.

Earnings (Loss) Per Common Share

The computation of earnings (loss) per common share is based upon the weighted average number of common shares outstanding. The effect of including common stock options and warrants as common stock equivalents would be anti-dilutive and is excluded from the calculation of loss per common share.

Income Taxes

Deferred income taxes are recognized for temporary differences between financial statement and income tax bases of assets and liabilities and loss carryforwards and tax credit carryforwards for which income tax benefits are expected to be realized in future years. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that all, or some portion, of such deferred tax assets will not be realized. The

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AMERICAN COMMUNICATIONS SERVICES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS — (Continued)

effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

Reclassifications

Certain reclassifications have been made to the June 30, 1996 consolidated financial statements to conform to the June 30, 1997 presentation. Such reclassifications had no effect on net loss or total stockholders' equity (deficit).

Stock Option Plan

Prior to July 1, 1996, the Company accounted for its stock option plan in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. On July 1, 1996, the Company adopted SFAS No. 123, "Accounting for Stock Based Compensation", which permits entities to recognize as expense over the vesting period the fair value of all stock based awards on the date of grant. Alternatively, SFAS No. 123 also allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income and pro forma earnings per share disclosure for employee stock option grants as if the fair-value based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Concentration of Credit Risk

The Company receives a significant portion of its revenues from a small number of major customers, particularly the long distance telecommunications companies that service the Company's markets. The Company provides managed services to certain Internet service providers. Such companies operate in a highly competitive and uncertain environment.

Financing Activities

To date, the Company has funded the construction of its networks and its operations with external financings, as described below.

AT&T Credit Facility

In October 1994, the Company entered into the AT&T Credit Facility pursuant to which AT&T Credit Corporation has agreed to provide up to \$31.2 million in financing for the development and construction of fiber optic local networks by five of the Company's subsidiaries. In connection with each loan made under the AT&T Credit Facility, AT&T Credit Corporation purchased 7.25% of the capital stock of the funded subsidiary, and ACSI pledged the other shares and the assets of the subsidiary to AT&T Credit Corporation as security for the loan. As of June 30, 1997, an aggregate of \$31.2 million had been borrowed under these agreements. Principal amounts payable on the AT&T Credit Facility during 1997 are approximately \$872,000.

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AMERICAN COMMUNICATIONS SERVICES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS — (Continued)

by April 1, 2001. Thereafter, interest on the 2006 Notes will accrue at the annual rate of 12¼% and will be payable in cash semi-annually on April 1 and October 1, commencing on October 1, 2001. The 2006 Notes will mature on April 1, 2006.

Common Equity (April Offering)

On April 15, 1997, the Company consummated the issuance and sale of 5,060,000 shares of Common Stock (inclusive of the May 14, 1997 exercise by the underwriters of their overallotment option) at a price per share of \$5.00 in an underwritten public offering, and the issuance and sale directly to certain of its principal stockholders of 3,600,000 shares of Common Stock at a purchase price of \$4.70 per share (together, the "April Offering"). Total net proceeds to the Company from the April Offering were approximately \$40 million.

In addition, the Company recently completed additional financings, described below.

14¼% Redeemable Preferred Stock (Unit Offering)

On July 10, 1997, the Company consummated the private placement of 75,000 units, (the "Unit Offering"), consisting of its 14¼% Redeemable Preferred Stock due 2008 (the "Redeemable Preferred Stock") and warrants to purchase shares of common stock. The Company received net proceeds of approximately \$67 million from the sale of these units. Each unit includes a warrant to purchase 80.318 shares of ACSI common stock subject to an increase of 22,645 additional shares of common stock in the event that the Company fails to raise net proceeds of at least \$50 million through the issuance and sale of its qualified capital stock on or before December 31, 1998. Dividends on the Redeemable Preferred Stock will accrue from the date of issuance, are cumulative and will be payable in arrears on March 31, June 30, September 30 and December 31, commencing September 30, 1997. Dividends may be paid, at the Company's option, on any dividend payment date either in cash or by the issuance of additional shares of preferred stock, provided however, that after June 30, 2002, to the extent and for so long as the Company is not precluded from paying cash dividends on the Redeemable Preferred Stock by the terms of any then outstanding indebtedness or any other agreement or instrument to which the Company is subject, the Company shall pay the dividends in cash. The company is required to redeem all the Redeemable Preferred Stock outstanding on June 30, 2008 at a redemption price equal to 100.00% of the liquidation preference thereof, plus, without duplication, accrued and unpaid dividends to the date of redemption.

2007 Senior Notes (2007 Notes)

On July 18, 1997, the Company completed the private placement of \$220 million of 13¼% Senior Notes due 2007. The Company received net proceeds of approximately \$209 million from the sale of the 2007 Notes, of which, approximately \$70 million has been placed in escrow solely to fund the first five interest payments or otherwise for the benefit of the holders of the 2007 Notes. The 2007 Notes bear interest at 13¼% compounded semi-annually in arrears, payable on January 15 and July 15 each year, commencing on January 15, 1998. The notes mature on July 15, 2007. The 2007 Notes will not be redeemable at the option of the Company prior to July 15, 2002, except that any time prior to July 15, 2000, the Company may redeem up to 35% of the aggregate principal amount of the 2007 Notes with the net proceeds from one or more equity offerings of the Company, at a redemption price equal to 113.75% of the aggregate principal amount thereof on the date of the redemption, subject to other conditions.

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ITEM 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the Company's condensed Consolidated Financial Statements and Notes thereto included herewith, and with the Company's Management Discussion and Analysis of Financial Condition and Results of Operations and audited financial statements and notes thereto for the years ended June 30, 1995 and 1996 and for the six months ended December 31, 1996.

Overview

American Communications Services, Inc. ("ACSI" or the "Company") provides a broad range of integrated local voice and data communications services primarily to commercial customers in mid-sized markets in the southern United States. As a competitive local exchange carrier ("CLEC"), the Company has constructed its own local fiber optic networks in 31 markets, expects to have operational networks in approximately 35 markets by the end of 1997 and expects to offer services on its own networks or on a resale basis in up to 50 markets by the end of 1998. The Company uses its owned facilities and leases network capacity from others to provide long distance carriers, Internet service providers ("ISPs") and business, government and institutional end-users with an alternative to the incumbent local phone companies for high quality voice, data, video transport and other telecommunications services. The Company believes that its customers choose ACSI's telecommunications services because of the reliability and breadth of the Company's services, discounted pricing relative to the incumbent local exchange carrier ("ILEC") and a high level of customer service.

From the formation of the Company through 1996, the Company derived substantially all of its revenues from the sale of dedicated services to interexchange carriers ("IXCs") and ISPs. Since the passage of the Telecommunications Act of 1996 (the "Federal Telecommunications Act"), however, the Company has enhanced its product offerings to meet the needs of commercial end-users, and is aggressively expanding the sales and marketing capabilities necessary to deliver these products to such customers. Specifically, the Company introduced local switched voice services, including local exchange services (dial tone) in late 1996, and has also added capabilities to provide other enhanced services such as high speed video conferencing, frame relay, asynchronous transfer mode ("ATM") and Internet access.

The Company currently provides a wide range of local telecommunications services including dedicated and private line, local switched voice services, high-speed data services and Internet services. The Company's SONET-based local fiber optic networks and its coast-to-coast leased high broadband backbone data network ("ACSINet") are designed to support this wide range of enhanced communications services, provide increased network reliability and reduce costs for its customers, as follows:

Dedicated Services. The Company's special access services, switched transport services and private line services provide high capacity non-switched interconnections: (1) between points of presence ("POPs") of the same IXC; (2) between POPs of different IXCs; (3) between large business and government end-users and their selected POPs; (4) between an IXC POP and an ILEC central office, or between two such central offices; and (5) between different locations of business or government end-users. During 1996, such dedicated services provided substantially all of the Company's revenues.

Local Switched Voice Services. The Company began offering local switched voice services (including dial tone) in late 1996. As of June 30, 1997, the Company offered such local switched services using its own facilities in 8 markets and offered such services on a resale basis in a total of 24 markets for switched services. This compares to 5 markets for switched services using its own facilities, and no markets for resale services at March 31, 1997. The Company expects to offer facilities-based services in 16 of the markets in which it has operational local networks by the end of 1997, and it expects to offer local services on a resale basis in additional markets.

Data Services. During 1996, the Company deployed ACSINet and as of June 30, 1997 had a total of 44 data POPs as compared to 30 data POPs as of March 31, 1997. ACSI provides a full range of high-speed data services over this network, including Internet connectivity, frame relay, ATM and managed

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services (such as network design, configuration and installation) to businesses, government, health care providers, educational institutions and ISPs for local and wide area network solutions.

Internet Services. On January 17, 1997, the Company acquired 100% of the outstanding capital stock of Cybergate, Inc. in exchange for 1,030,000 shares of Common Stock plus up to an additional 150,000 shares if certain performance goals are achieved (the "Cybergate Acquisition"). Cybergate, a Florida-based ISP, delivers high-speed data communications services, including computer network connections and related infrastructure services, that provide both commercial and residential customers access to the Internet through their personal computers and the use of a modem. The Cybergate Acquisition provides ACSI with the ability to offer direct Internet access to end-user commercial and consumer customers as well as to provide private label Internet services for the Company's strategic distribution partners throughout all of the Company's markets.

Initially, the Company expects to experience negative cash flow from operations in each of its operating local networks. The Company estimates that because of the reduced operating costs associated with its smaller local networks and its single point of service sales force, it can achieve operating cash flow breakeven (i.e., positive EBITDA before overhead allocations) on dedicated access services provided on its local networks within ten to 15 months from the start of those services. Thereafter, the Company anticipates that its profit margins will increase as each local network is expanded to connect additional customers directly to its network backbone and as off-net customers migrate to on-net status (thus allowing the Company to retain the portion of customer charges previously paid out to the ILEC for resale of ILEC facilities). The Company will also experience initial negative cash flow from operations as its data, local switched voice and Internet services are introduced and until networks providing those services reach operating cash flow breakeven.

Results of Operations

Three and Six Month Periods Ended June 30, 1997 Compared to Three and Six Month Periods Ended June 30, 1996

Network Statistics

The following table presents key operating statistics for the Company for the reporting periods.

As of Date	Employees	Operational Networks	Route Miles	Fiber Miles	Bldgs	VGE	Access Lines	WESS Switches
June 30, 1997	559	31	957	82,693	1,083	886,375	9,177	8
March 31, 1997	502	28	908	75,867	858	554,883	360	5
December 31, 1996	322	21	697	48,792	595	384,134	0	1
June 30, 1996	199	15	386	28,476	216	137,431	0	0
March 31, 1996	142	10	200	9,466	133	125,208	0	0

Employees represent full-time employees of the Company. Operational networks represent networks that are in service and have revenue generating customers. VGE represents voice grade equivalent circuits, a measure of service equivalent to one telephone line actually billed to a customer. Access lines represent business lines providing switched voice services.

Revenues

The Company recorded revenues of \$11.6 million for the three month period ended June 30, 1997 and revenues of \$19.8 million for the six month period ended June 30, 1997. This compares to revenues of \$1.6 million for the three month period ended June 30, 1996 and revenues of \$2.4 million for the six month period ended June 30, 1996. Although substantially all of the revenues in the 1996 periods were derived from the provision of dedicated services, revenues in the 1997 periods were derived primarily from significant growth in dedicated services, plus the addition of data services, Internet services and local switched voice services.

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Total Operating Expenses

Network development and operating expenses for the three month period ended June 30, 1997 increased to \$9.4 million from \$0.4 million in the three month period ended June 30, 1996, reflecting significant increases in personnel, network development and non-payroll operating expenses. Related personnel costs increased to \$3.3 million in the quarter ended June 30, 1997, from approximately \$0.3 million in the quarter ended June 30, 1996. Other operating expenses related to the development of prospective new markets, which include expenses such as contract labor and legal expenses, travel expenses, rent, utilities, charges and taxes increased to \$6.0 million in the quarter ended June 30, 1997 from approximately \$0.1 million in the quarter ended June 30, 1996.

For the six month period ended June 30, 1997, total network development and operating expenses increased to \$18.0 million from \$2.3 million in the six month period ended June 30, 1996, reflecting significant increases in personnel, network development and non-payroll operating expenses. Related personnel costs increased to \$6.5 million in the six month period ended June 30, 1997, from approximately \$3.0 million in the same period in 1996. Other operating expenses, which include expenses such as contract labor and legal expenses, travel expenses, rent, utilities, charges and taxes increased to \$11.5 million in the six month period ended June 30, 1997 from approximately (\$0.7) million in the six month period ended June 30, 1996.

In the three month period ended June 30, 1997, selling, general and administrative expenses increased to \$15.9 million from \$7.7 million in the three month period ended June 30, 1996. Related personnel costs increased to \$6.7 million in the quarter ended June 30, 1997 from \$1.8 million in the quarter ended June 30, 1996, and corresponding operating costs increased to \$9.2 million in the quarter ended June 30, 1997 from \$5.9 million in the quarter ended June 30, 1996. This increase reflected costs associated with the Company's efforts to expand significantly its national and local city sales and its marketing and administrative staffs, as well as increased legal and other consulting expenses associated with its aggressive programs for obtaining regulatory approvals and certifications and providing quality network services.

In the six month period ended June 30, 1997, selling, general and administrative expenses increased to \$29.8 million from \$10.4 million in the six month period ended June 30, 1996. Related personnel costs increased to \$12.1 million in the six month period ended June 30, 1997 from \$1.7 million in the six month period ended June 30, 1996, and corresponding operating costs increased to \$17.7 million in the six month period ended June 30, 1997 from \$8.7 million in the six month period ended June 30, 1996.

Depreciation and amortization expenses increased to \$5.3 million in the three month period ended June 30, 1997 from \$1.7 million in the three month period ended June 30, 1996 and increased to \$9.5 million in the six month period ended June 30, 1997 from \$2.3 million in the six month period ended June 30, 1996. As of June 30, 1997 the Company increased its capital assets to \$219.9 million, from \$144.4 million at December 31, 1996 and from \$80.1 million as of June 30, 1996. Non-cash stock compensation expense increased to \$0.6 million for the quarter ended June 30, 1997 from (\$0.5 million) for the quarter ended June 30, 1996. For the six month period ended June 30, 1997, non-cash compensation expense decreased to \$0.8 million from \$1.5 for the same period in 1996. This expense reflects the Company's accrual of non-cash costs for options and warrants granted to key executives, employees and others arising from the difference between the exercise price and the valuation prices used by the Company to record such costs and from the vesting of those options and warrants. Certain of these options had put rights and other factors that required variable plan accounting in both 1996 and 1995 but, at the end of fiscal 1995, the Company renegotiated contracts with certain of its officers, establishing a limit of \$2,500,000 on the Company's "put right" obligations with respect to those contracts. During fiscal period ended December 31, 1996, the limit was further reduced to \$2,000,000.

Interest and Other Expenses

Interest and other income decreased to \$0.2 million and \$1.1 million for the three and six month periods ended June 30, 1997, respectively from \$3.0 million and \$3.6 million in the three and six month periods ended June 30, 1996, respectively. Interest and other expense increased to \$6.3 million and \$12.4 million in the quarter and six month period ended June 30, 1997, respectively from \$4.2 million and \$7.6 million in the

quarter and six month period ended June 30, 1996, respectively. The decrease in interest and other income reflects the decrease in available funds from the Company's sale of its 9% Series B Preferred Stock, the 2005 Notes and the 2006 Notes. The increase in interest and other expenses reflected the accrual of interest related to the 2005 Notes and 2006 Notes and the Company's increased borrowings under AT&T Credit Facility. Payments of principal and interest on the AT&T Credit Facility began in the first quarter 1997. Payments of interest on the 2005 Notes will not begin until May 2001 and payments of interest on the 2006 Notes will not begin until October 2001.

Liquidity and Capital Resources

To date, the Company has funded the construction of its local networks and its operations with external financing. Prior to November 1995, the primary sources of funds used to finance the building of existing networks and the completion of new targeted networks were two preferred stock private offerings completed in October 1994 and June 1995, through which the Company raised an aggregate of approximately \$39.6 million before related expenses, and the AT&T Credit Facility, through which the Company has financing commitments for \$31.2 million. On November 14, 1995, the Company completed a private offering of the 2005 Notes and the 2005 Warrants from which the Company received approximately \$96.1 million in net proceeds. The 2005 Notes will accrue to an aggregate principal amount of \$190.0 million by November 1, 2000, after which cash interest will accrue and be payable on a semi-annual basis. The Company also received net proceeds of approximately \$4.7 million from the private sale of an additional 50,000 shares of its preferred stock to a principal stockholder and the exercise by that stockholder of warrants to purchase 214,286 shares of Common Stock acquired in the Company's June 1995 preferred stock private placement. On March 21, 1996, the Company completed a private offering of the 2006 Notes from which the Company received net proceeds of approximately \$61.8 million. The 2006 Notes will accrue to an aggregate principal amount of \$120.0 million by April 1, 2001, after which cash interest will accrue and be payable on a semi-annual basis. On April 15, 1997, the Company completed the April Offering of 8,000,000 shares of Common Stock. The Company completed the sale of an additional 660,000 shares on May 14, 1997 upon exercise of the Underwriters' over-allotment option. The Company received net proceeds of approximately \$40.0 million from the sale of these 8,660,000 shares. On July 10, 1997, the Company completed the Unit Offering of 75,000 units from which the Company received net proceeds of approximately \$67 million. On July 18, 1997, the Company completed a private offering of the 2007 Notes from which the Company received net proceeds of approximately \$209.0 million, \$70 million of which is being held in escrow solely to fund the first five interest payments or otherwise for the benefit of the holders of the 2007 Notes.

AT&T Credit Facility

In October 1994, the Company entered into the AT&T Credit Facility pursuant to which AT&T Credit Corporation has agreed to provide up to \$31.2 million in financing for the development and construction of fiber optic local networks by five of the Company's subsidiaries. In connection with each loan made under the AT&T Credit Facility, AT&T Credit Corporation purchased 7.25% of the capital stock of the funded subsidiary, and ACSI pledged the other shares and the assets of the subsidiary to AT&T Credit Corporation as security for the loan. As of June 30, 1997, an aggregate of \$31.2 million had been borrowed under these agreements. Principal amounts payable on the AT&T Credit Facility during 1997 are approximately \$872,000.

The Company has entered into negotiations with AT&T Capital Corporation to roll-up the five existing loan agreements comprising the AT&T Credit Facility into the New AT&T Facility. The Company expects the New AT&T Facility to otherwise be on terms substantially similar to those of the existing AT&T Credit Facility. The maximum aggregate amount of credit available under the proposed New AT&T Facility will not exceed \$35.0 million as defined by the Company's existing indentures. On June 26, 1997, each of the Company's Subsidiaries that are parties to the AT&T Credit Facility entered into an agreement with AT&T Credit Corporation to waive, for a period of 90 business days commencing on the date thereof, compliance by such subsidiaries with certain covenants contained therein. Such covenants are not expected to be included in the new AT&T Facility.

The Redeemable Preferred Stock

On July 10, 1997, the Company consummated the private placement of 75,000 units, (the "Unit Offering"), consisting of its 14 3/4% Redeemable Preferred Stock due 2008 (the "Redeemable Preferred Stock") and warrants to purchase shares of common stock. The Company received net proceeds of approximately \$67 million from the sale of these units. Each unit includes a warrant to purchase 80.318 shares of ACS1 common stock subject to an increase of 22,645 additional shares of common stock in the event that the Company fails to raise net proceeds of at least \$50 million through the issuance and sale of its qualified capital stock on or before December 31, 1998. Dividends on the Redeemable Preferred Stock will accrue from the date of issuance, are cumulative and will be payable in arrears on March 31, June 30, September 30 and December 31, commencing September 30, 1997. Dividends may be paid, at the Company's option, on any dividend payment date either in cash or by the issuance of additional shares of preferred stock, provided however, that after June 30, 2002, to the extent and for so long as the Company is not precluded from paying cash dividends on the Redeemable Preferred Stock by the terms of any then outstanding indebtedness or any other agreement or instrument to which the Company is subject, the Company shall pay the dividends in cash. The company is required to redeem all the Redeemable Preferred Stock outstanding on June 30, 2008 at a redemption price equal to 100.00% of the liquidation preference thereof, plus, without duplication, accrued and unpaid dividends to the date of redemption.

2005 and 2006 Senior Discount Notes and 2007 Senior Notes

On November 14, 1995, the Company completed an offering of 190,000 Units consisting of \$190,000,000 principal amount of its 2005 Notes and the 2005 Warrants to purchase 2,432,000 shares of the Company's common stock at a price of \$7.15 per share. The 2005 Notes will accrete at a rate of 13% compounded semi-annually to an aggregate principal amount of \$190,000,000 by November 1, 2000. Thereafter, interest on the 2005 Notes will accrue at the annual rate of 13% and will be payable in cash semi-annually. The Company received net proceeds of approximately \$96,105,000 from the sale of the 1995 Units. The value ascribed to the 2005 Warrants was \$8,684,000.

On March 21, 1996, the Company completed an offering of \$120,000,000 of 12 3/4% Senior Discount Notes due 2006 (the "2006 Notes") resulting in net proceeds of approximately \$61,800,000. The 2006 Notes will accrete at a rate of 12 3/4% compounded semi-annually, to an aggregate principal amount of \$120,000,000 by April 1, 2001. Thereafter, interest on the 2006 Notes will accrue at the annual rate of 12 3/4% and will be payable in cash semi-annually on April 1 and October 1, commencing on October 1, 2001. The 2006 Notes mature on April 1, 2006.

On July 18, 1997, the Company completed the private placement of \$220,000,000 of 13-3/4% Senior Notes due 2007 (the "2007 Notes"). The Company received net proceeds of approximately \$209,000,000 from the sale of the 2007 Notes, with approximately \$70,000,000 placed in escrow for the first five interest payments. The 2007 Notes will bear interest at a rate of 13-3/4% compounded semi-annually in arrears on January 15 and July 15 commencing on January 15, 1998. The notes will mature on July 15, 2007.

On June 11, 1997, the Company notified the trustee under each of the indentures governing the 2005 Notes and the indenture governing the 2006 Notes (the "Existing Indentures") that, as of June 10, 1997, it had approximately \$13.0 million in the aggregate of ordinary course trade accounts payable that were more than 60 days overdue. As of June 30, 1997, the Company had approximately \$17.4 million in the aggregate of ordinary course trade accounts payable that were more than 60 days overdue. These overdue amounts constituted Indebtedness of the Company, as that term is defined in each of the Existing Indentures. The incurrence by the Company of such Indebtedness is not permitted under each of the Indentures and, therefore, constituted an Event of Default (as defined in the Existing Indentures) under each Existing Indenture. The Company used a portion of the proceeds of the Unit Offering to pay in full all ordinary course trade accounts payable that were more than 60 days overdue to cure such Event of Default.

Management anticipates that the cash resources available from these offerings will be sufficient to fund the Company's negative cash flow and capital expenditures required through the fourth quarter 1998. The Company's expectations of required future cash flow and capital expenditures are based on the Company's

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current estimates and the current state and Federal regulatory environment. There can be no assurance that actual cash flows and capital expenditures will not be significantly higher or lower than the Company's estimates. In the future, additional funding will be required through the sale of additional equity securities, increases in existing or new credit facilities, or through the sale of additional debt securities, certain of which would require the consent of the Company's debtholders. In addition there can be no assurances that the Company will be able to meet its strategic objectives or that such funds, if available at all, will be available on a timely basis or on terms that are acceptable to the Company.

In addition, the Company in the past has considered and expects to continue to consider potential acquisitions or other strategic arrangements that may fit the Company's strategic plan. Although the Company has had discussions concerning such potential acquisitions or arrangements, to date, no agreements have been reached with regard to any particular transaction. Any such acquisitions or strategic arrangements that the Company might consider are likely to require additional equity or debt financing, which the Company will seek to obtain as required.

Effects of New Accounting Standards

During early 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 128, Accounting for EPS, which will become effective December 15, 1997, and will thereafter require the Company to disclose basic earnings (loss) per share in addition to the common stock equivalent disclosure information already required. Early adoption of SFAS No. 128 is not permitted.

While the Company does not know precisely the impact of adopting SFAS No. 128, the Company does not expect that the adoption of SFAS No. 128 will have a material effect on the Company's consolidated financial statements.

Information Regarding Forward-Looking Statements

Information contained herein contains "forward-looking statements" (as such term is defined in the Private Securities Litigation Reform Act of 1995) which can be identified by the use of forward looking terminology such as "believes," "expects," "may," "will," "should," or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. Certain statements contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other sections herein, including statements concerning the continued development of the Company's businesses, the markets for the Company's services and products, the Company's anticipated capital expenditures and regulatory reform, and other statements contained herein regarding matters that are not historical facts, are forward-looking statements. No assurance can be given that the future results covered by the forward-looking statements will be achieved. The matters set forth in Exhibit 99.1 to the Company's Annual Report on Form 10-KSB for the fiscal period ended December 31, 1996 constitute cautionary statements identifying important factors with respect to such forward-looking statements, including risks and uncertainties, that could cause actual results to vary materially from the future results indicated, expressed or implied, in such forward-looking statements. Other factors could also cause actual results to vary materially from the future results indicated in such forward-looking statements.

PART II

OTHER INFORMATION

ITEM 1 — Legal Proceedings

ACSI's former Chief Financial Officer, Harry J. D'Andrea, has initiated litigation against the Company in the Circuit Court of Maryland for Anne Arundel County. The lawsuit alleges four different counts: breach of contract; breach of the covenant of good faith and fair dealing; negligent misrepresentation; and specific performance. Mr. D'Andrea seeks damages in excess of \$5,000,000, and the right to exercise options to purchase 100,000 shares of ACSI common stock at \$4.25 per share. The Company received a copy of the

Complaint on April 8, 1997. The Company believes it has meritorious defenses to this complaint and intends to defend this lawsuit vigorously.

Additionally, the Company and its subsidiaries are currently parties to routine litigation incidental to their business, none of which, individually or in the aggregate, are expected to have a material adverse effect on the Company. The Company and its subsidiaries are parties to various court appeals and regulatory arbitration proceedings relating to certain of the Company's interconnection agreements and continue to participate in regulatory proceedings before the FCC and state regulatory agencies concerning the authorization of services and the adoption of new regulations.

ITEM 2 — *Changes in Securities*

On April 15, 1997, the Company completed a public offering of its Common Stock. Upon completion of such offering, 461,254 shares of Preferred Stock then outstanding were converted into 17,260,864 shares of Common Stock and once again became authorized but unissued shares of Preferred Stock. The Company's Certificate of Incorporation was restated to reflect the conversion of such Preferred Stock and the elimination of voting, dividend, liquidation and other rights of such Preferred Stock. Currently, the only class of voting stock outstanding is the Common Stock.

Approximately \$7.5 million of accrued dividends on 434,481 of the 461,254 shares of Preferred Stock converted in connection with the public offering were paid April 15, 1997, through the issuance by the Company of 1,601,474 shares of Common Stock to the holders of such Preferred Stock pursuant to the exemption from the registration requirements of Section 5 of the Securities Act of 1933 set forth in Section 4(2) of such Act.

Effective March 6, 1997, the Company and MCI Metro entered into an agreement in which MCI named ACSI as its preferred local provider for dedicated and transport services in 21 ACSI markets for at least a five year period. Pursuant to this preferred provider agreement, MCI will migrate current dedicated transport circuits in these markets to ACSI and ACSI will be listed as the first choice provider in MCI's provisioning system for all new dedicated access circuits in the designated markets and on June 19, 1997, executed an agreement giving MCI the option to purchase loop transport services from ACSI where ACSI has collocations with the ILEC and MCI has deployed its own local switch. The parties also have agreed to use their best efforts to execute an agreement pursuant to which MCI will resell local switched services in at least 10 of the 21 identified markets on a wholesale basis. In connection with these agreements (collectively, the "MCI Transaction"), ACSI issued MCI warrants to purchase up to 620,000 shares of ACSI's Common Stock at \$9.86 per share, subject to number and price adjustment in certain circumstances. ACSI has also agreed to issue warrants to purchase up to an aggregate of approximately 1.7 million additional shares of ACSI's Common Stock at fair market value on the date of grant in tranches every six months after execution of the preferred provider agreement, subject to, and based upon, certain increases in revenues to ACSI generated under that agreement. Of the 620,000 warrants issued to MCI on March 6, 1997, 360,000 warrants have vested and the remaining 260,000 warrants will vest only upon execution of the switched services resale agreement. MCI has certain registration rights with respect to any shares of Common Stock issued to MCI in connection with the MCI Transaction.

On July 10, 1997, the Company consummated the private offering pursuant to Rule 144A under the Securities Act of 1933, as amended, (the "Securities Act") of 75,000 units, (the "Unit Offering"), consisting of its 14% Redeemable Preferred Stock due 2008 and warrants to purchase shares of common stock. The Units were resold by the initial purchasers to certain "qualified institutional buyers" (as such term is defined under Rule 144A) and to a limited number of institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act). The Company received net proceeds of approximately \$67 million from the sale of these units. Each unit includes a warrant to purchase 80.318 shares of ACSI common stock subject to an increase of 22,645 additional shares of common stock in the event that the Company fails to raise net proceeds of at least \$50 million through the issuance and sale of its qualified capital stock on or before December 31, 1998. Dividends on the Redeemable Preferred Stock will accrue from the date of issuance, are cumulative and will be payable in arrears on March 31, June 30, September 30 and

December 31, commencing September 30, 1997. Dividends may be paid, at the Company's option, on any dividend payment date either in cash or by the issuance of additional shares of preferred stock, provided however, that after June 30, 2002, to the extent and for so long as the Company is not precluded from paying cash dividends on the Redeemable Preferred Stock by the terms of any then outstanding indebtedness or any other agreement or instrument to which the Company is subject, the Company shall pay the dividends in cash. The company is required to redeem all the Redeemable Preferred Stock outstanding on June 30, 2008 at a redemption price equal to 100.00% of the liquidation preference thereof, plus, without duplication, accrued and unpaid dividends to the date of redemption.

ITEM 4 — *Submission of Matters to a Vote of Security Holders*

On June 25, 1997, the Company held its annual meeting to consider four proposals.

The first proposal was to elect the seven nominees set forth in the Proxy Statement. Pursuant to the Second Restated Certificate of Incorporation, the Board is currently comprised of seven members, all of whom shall be elected by the holders of the Company's Common Stock.

The nominees for directorship by holders of the Common Stock were: Anthony J. Pompliano, Edwin M. Banks, Peter C. Bentz, Benjamin P. Giess, George M. Middlemas, Christopher L. Rafferty and Olivier L. Trouveroy. There were 30,840,593 votes cast For, 15,162 Abstentions for Anthony J. Pompliano; there were 30,841,793 votes cast For, 13,962 Abstentions for Edwin M. Banks; 30,841,993 votes cast For, 13,762 Abstentions for Peter C. Bentz; 30,841,993 votes cast For, 13,762 Abstentions for Benjamin P. Giess; 30,841,993 votes cast For and 13,762 Abstentions for George M. Middlemas; 30,841,993 votes cast For, 13,762 Abstentions for Christopher L. Rafferty and 30,841,993 votes cast For, and 13,762 Abstentions for Olivier L. Trouveroy.

The second proposal was to approve an amendment to the Company's 1994 Stock Option Plan, as amended, to increase the number of shares of common stock reserved for issuance upon exercise of option grants from 3,000,000 to 5,000,000. There were 21,951,403 votes cast For, 4,942,409 votes cast Against and 12,556 Abstentions for Proposal No. 2.

The third proposal was an amendment to the Stock Option Plan to permit the transfer by Outside Directors of options granted to them under the Stock Option Plan. There were 27,736,863 votes cast For, 1,550,648 votes cast Against and 17,550 Abstentions for Proposal No. 3.

The fourth proposal was to ratify the selection of KPMG Peat Marwick LLP to audit the consolidated financial statements of the Company for the fiscal year ending December 31, 1997. There were 30,838,119 votes cast For, 14,836 votes cast Against and 2,800 Abstentions for Proposal No. 4.

ITEM 6 — *Exhibits and Reports On Form 8-K*

(a) *Exhibits (numbered in accordance with Item 601 of Regulation S-B)*

<u>Exhibit Number</u>	<u>Description</u>
3.1	— Second Restated Certificate of Incorporation of the Company
3.2	— Certificate of Designations of the Company's 14.75% Redeemable Preferred Stock due 2008
3.3	— Certificate of Amendment of the Certificate of Designations of the Company's 14.75% Redeemable Preferred Stock due 2008
3.4	— Amended and Restated By-Laws of the Company
4.1	— Supplemental Indenture dated as of July 7, 1997, between the Company and The Chase Manhattan Bank, as trustee, to the Indenture dated November 14, 1995, as amended, relating to the Company's 13% Senior Discount Notes due 2005

<u>Exhibit Number</u>	<u>Description</u>
4.2	— Supplemental Indenture dated as of July 7, 1997, between the Company and The Chase Manhattan Bank, as trustee, to the Indenture dated March 26, 1995, as amended, relating to the Company's 12.75% Senior Discount Notes due 2006
4.3	— Specimen Certificate of the Company's 14.75% Redeemable Preferred Stock due 2008
4.4	— Warrant Agreement dated as of July 10, 1997, between the Company and The Chase Manhattan Bank, as warrant agent
4.5	— Form of Warrant
4.6	— Indenture dated as of July 23, 1997, between the Company and The Chase Manhattan Bank, as trustee, relating to the Company's 13.75% Senior Discount Notes due 2007
4.7	— Escrow and Disbursement Agreement dated as of July 23, 1997, the Company, The Bank of New York, as escrow agent, and The Chase Manhattan Bank, as trustee, relating to the Company's 13.75% Senior Discount Notes due 2007
10.1	— Registration Rights Agreement dated as of July 10, 1997, among the Company, BT Securities Corporation, Alex. Brown & Sons Incorporated, The Huff Alternative Income Fund, L.P., General Motors Domestic Group Pension Trust, Societe Generale Securities Corporation, ING Baring (U.S.) Securities, Inc. and McDermott Inc. Master Trust
10.2	— Registration Rights Agreement dated as of July 23, 1997, among the Company and BT Securities Corporation as representatives of the Initial Purchasers names therein
11.1	— Computation of Primary Net Income Per Share
11.2	— Computation of Fully Diluted Net Income Per Share
27.0	— Financial Data Schedule
(b) <i>Reports on Form 8-K</i>	
(b) On July 29, 1997, the Company filed with the SEC a Current Report on Form 8-K dated July 29, 1997, to report the commencement and completion of its private offering of units and certain other matters and the commencement and completion of its private offering of 13 3/4% Senior Notes due 2007.	

SIGNATURES

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

American Communications Services, Inc.

(Registrant)

/s/ ANTHONY J. POMPLIANO

(Anthony J. Pompliano,
Executive Chairman)

August 14, 1997

/s/ DAVID L. PIAZZA

David L. Piazza
Chief Financial Officer

August 14, 1997

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EXHIBIT E

DCU/PRISA/8990.41

ACSI Local Switched Services, Inc.

South Dakota P.U.C. Tariff No. 1
Original Page No. 1

ACSI LOCAL SWITCHED SERVICES, INC.

131 National Business Parkway, Suite 100

Annapolis Junction, MD 20701

INTEREXCHANGE SERVICES TARIFF

Rules and regulations applicable for furnishing of Intrastate Interexchange Services by ACSI Local Switched Services, Inc. between one or more points in the State of South Dakota as authorized by the South Dakota Public Utilities Commission. This tariff is on file with the Public Utilities Commission and may be inspected during regular business hours. Copies also may be inspected during regular business hours at ACSI Local Switched Services, Inc.'s principal place of business, 131 National Business Parkway, Suite 100, Annapolis Junction, MD 20701.

Issued:

Issued By:

Riley M. Murphy
Secretary
ACSI Local Switched Services, Inc.
131 National Business Parkway, Suite 100
Annapolis Junction, MD 20701

Effective:

ACSI Local Switched Services, Inc.

South Dakota P.U.C. Tariff No. 1

Original Page No. 2

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ACSI Local Switched Services, Inc.

South Dakota P.U.C. Tariff No. 1
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Effective:

ACSI Local Switched Services, Inc.

South Dakota P.U.C. Tariff No. 1

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CHECK SHEET

Pages 1-47 inclusive of this Tariff are effective as of the date shown. Original and revised pages, as named below, comprise all changes from the original Tariff in effect on the date indicated.

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Issued:

Effective:

Issued By:

Riley M. Murphy
Secretary
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200-34-4428

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SYMBOLS

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

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

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TARIFF FORMAT

- A. Page Numbering - Page numbers appear in the upper right corner of the page. Pages are numbered sequentially. However, new pages occasionally are added to the tariff. When a new page is added between pages already in effect, a decimal is added to the page number. For example, a new page added between pages 14 and 15 would be 14.1.
- B. Page Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current page version on file with the Commission. For example, the 4th revised Page 14 cancels the 3rd revised Page 14. Because of various suspension periods, deferrals, etc. the Commission follows in its tariff approval process, the most current page number on file with the Commission is not always the tariff page in effect.
- C. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:
- 2.
 - 2.1.
 - 2.1.1.
 - 2.1.1.A.
 - 2.1.1.A.1.
 - 2.1.1.A.1.(a).
 - 2.1.1.A.1.(a).I.
 - 2.1.1.A.1.(a).I.(i).
 - 2.1.1.A.1.(a).I.3(i).(1).
- D. Check Sheets - When a tariff filing is made with the Commission an updated check sheet accompanies the tariff filing. The check sheet lists the pages contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated on the check sheet by an asterisk(*). There will be no other symbols used on the check sheet if these are the only changes made to it. The tariff user should refer to the latest check sheet to find out if a particular page is the most current on file with the Commission.

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SECTION 1. DEFINITIONS

Authorized User - Any person, firm, corporation or other entity accessing or utilizing the services furnished by the Company to the Customer.

Billed Party - The person or entity responsible for payment of the Company's service. The Billed Party is the Customer associated with the Telephone Number used to place the call, with the following exceptions:

- (a) in the case of a calling card or credit card call, the Billed Party is the holder of the calling card or credit card used by the User; and
- (b) in the case of a collect or third party call, the Billed Party is the person responsible for the local telephone service at the telephone number that agrees to accept charges for the call.

Call: A completed connection between the calling and the called station.

Calling Station: The telephone number from which a call originates.

Called Station: The telephone number called.

Commission - South Dakota Public Utilities Commission.

Common Carrier - A company or entity providing telecommunications services to the public.

Company - ACSI Local Switched Services, Inc.

Customer - A person, firm, corporation, partnership or other entity, including affiliates or divisions of the Customer, responsible for payment of charges to the Company and compliance with all terms and conditions of this tariff.

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SECTION 1. DEFINITIONS (Cont'd)

Day - The period of time from 8:00 a.m. to (but not including) 5:00 p.m., Monday through Friday, as measured by local time at the location from which the call is originated.

Evening - The period of time from 5:00 p.m. to (but not including) 11:00 p.m., Sunday through Friday and any time during a Holiday, as measured by local time at the location from which the call is originated.

Fiber Optic Cable - A thin filament of glass with a protective outer coating through which a light beam carrying communications signals may be transmitted by means of multiple reflections to a receiver, which translates a message.

Holiday - New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Night/Weekend ("N/Wkd") - The period of time from 11:00 p.m. to (but not including) 8:00 a.m., Monday through Friday, any time on Saturday and all day Sunday, except 5:00 p.m. to (but not including) 11:00 p.m., as measured by local time at the location from which the call is originated.

Prepaid Calling Card - A calling card or other tangible item which (i) contains an Access Number or an access code, (ii) is supplied by the Company or its agent, and (iii) permits a User to use the Company's services up to an amount prepaid to the Company. Calls charged to a prepaid calling card will be debited against the amount the User has prepaid.

Service Order - The written request for network services executed by the Customer and the Company in the format devised by the Company. The signing of a Service Order by the Customer and acceptance by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this tariff, but the duration of the service is calculated from the service commencement date.

User - Customer or any Authorized User.

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SECTION 2. TERMS AND CONDITIONS

2.1 Application of Tariff

- 2.1.1 This tariff contains the regulations and rates applicable to intrastate long distance services provided by the Company. The Company's services are furnished subject to the availability of facilities and the terms and conditions of this tariff.
- 2.1.2 The rates and regulations contained in this tariff apply only to the services furnished by the Company and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other Common Carrier for use in accessing the services of the Company.

2.2. Shortage of Equipment or Facilities

- 2.2.1 The Company reserves the right to limit or to allocate the use of existing facilities, or of additional facilities offered by the Company, when necessary because of lack of facilities, or due to some other cause beyond the Company's control.
- 2.2.2 The furnishing of service under this tariff is subject to the availability in a continuing basis of all the necessary facilities and is limited to the capacity of the Company's facilities as well as facilities the Company may obtain from other carriers to furnish service from time to time as required at the sole discretion of the Company.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.3 Use and Availability of Service

- 2.3.1 Service is furnished to the User for any lawful purpose. Service shall not be used for any unlawful purpose, nor used in such a manner as to interfere unreasonably with the use of service by any other Users.
- 2.3.2 The use of the Company's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, false or invalid numbers, or false calling or credit cards is prohibited.
- 2.3.3 The Company does not transmit messages pursuant to this tariff, but its services may be used for that purpose.
- 2.3.4 The Company's services may be denied for nonpayment of charges or for other violations of the terms and conditions set forth in this tariff.
- 2.3.5 The Company reserves the right to refuse service to individuals under the age of 18 and may require proof of age prior to initiating service.
- 2.3.6 The use of the Company's services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another is prohibited.
- 2.3.7 Service temporarily may be refused or limited because of system capacity limitations.
- 2.3.8 Service is subject to transmission limitations caused by natural (including atmospheric, geographic or topographic) or artificial conditions adversely affecting transmission.
- 2.3.9 Service to any or all Customers may be temporarily interrupted or curtailed due to equipment modifications, upgrades, relocations, repairs and similar activities necessary for proper or improved operations.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.3 Use and Availability of Service (Cont'd)

- 2.3.10 Service is provided on the basis of a minimum period of at least one month, 24-hours per day. For the purpose of computing charges in this tariff, a month is considered to have 30 days.
- 2.3.11 Customers may be required to enter into written Service Orders which shall contain or reference a specific description of the service ordered, the rates to be charged, the duration of the services, and the terms and conditions in the tariff. Customers also will be required to execute any other documents as may be reasonably requested by the Company.
- 2.3.12 At the expiration of the initial term specified in each Service Order, or in any extension thereof, service shall continue on a month to month basis at the then current rates unless terminated by either party upon 30 days' written notice. Any termination shall not relieve Customer of its obligation to pay any charges incurred under the service order and this tariff prior to termination. The rights and obligations which by their nature extend beyond the termination of the term of the Service Order shall survive such termination.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.4 Liability of the Company

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

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.4 Liability of the Company (Cont'd)

- 2.4.4 The Company does not guarantee nor make any warranty with respect to installations it provides for use in an explosive atmosphere. The Customer indemnifies and holds the Company harmless from any and all loss, claims, demands, suits, or other action, or any liability whatsoever, whether suffered, made, instituted, or asserted by any other party or person(s), and for any loss, damage, or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, removal, presence, condition, location, or use of any installation so provided. The Company reserves the right to require each Customer to sign an agreement acknowledging acceptance of the provisions of this section 2.4.4 as a condition precedent to such installations.
- 2.4.5 The Company is not liable for any defacement of or damage to Customer premises resulting from the furnishing of services or equipment on such Premises or the installation or removal thereof, unless such defacement or damage is caused by negligence or willful misconduct of the Company's agents or employees.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.4 Liability of the Company (Cont'd)

- 2.4.6 The Company shall be indemnified, defended, held harmless by the Customer against any claim, loss or damage arising from Customer's use of services, involving claims for libel, slander, invasion of privacy, or infringement of copyright arising from the Customer's own communications.
- 2.4.7 The entire liability for any claim, loss, damage or expense from any cause whatsoever shall in no event exceed sums actually paid Company by Customer for the specific services giving rise to the claim. No action or proceeding against the Company shall be commenced more than one year after the service is rendered.
- 2.4.8 THE COMPANY MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED EITHER IN FACT OR BY OPERATION OF LAW, STATUTORY OR OTHERWISE, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE, EXCEPT THOSE EXPRESSLY SET FORTH HEREIN.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.5 Notification of Service-Affecting Activities

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

2.6 Provision of Equipment and Facilities

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

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.6 Provision of Equipment and Facilities (Cont'd)

- 2.6.2 The Company shall use reasonable efforts to maintain facilities and equipment that it furnishes to the Customer. The Customer may not, nor may Customer permit others to rearrange, disconnect, remove, attempt to repair, or otherwise interfere with any of the facilities or equipment installed by the Company, except upon the written consent of the Company.
- 2.6.3 The Company may substitute, change or rearrange any equipment or facility at any time and from time to time, but shall not thereby alter the technical parameters of the service provided the Customer.
- 2.6.4 Equipment the Company provides or installs at the Customer Premises for use in connection with the services the Company offers shall not be used for any purpose other than that for which the Company provided it.
- 2.6.5 The Customer shall be responsible for the payment of service charges as set forth herein for visits by the Company's agents or employees to the Premises of the Customer when the service difficulty or trouble report results from the use of equipment or facilities provided by any party other than the Company, including but not limited to the Customer.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.6 Provision of Equipment and Facilities (Cont'd)

2.6.6 The Company shall not be responsible for the installation, operation, or maintenance of any customer provided communications equipment. Where such equipment is connected to the facilities furnished pursuant to this tariff, the responsibility of the Company shall be limited to the furnishing of facilities offered under this tariff and to the maintenance and operation of such facilities. Subject to this responsibility, the Company shall not be responsible for:

- (a) the transmission of signals by Customer provided equipment or for the quality of, or defects in, such transmission; or
- (b) the reception of signals by Customer provided equipment.

2.7 Nonroutine Installation

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

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.8 Ownership of Facilities

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

2.9 Prohibited Uses

- 2.9.1 The services the Company offers shall not be used for any unlawful purpose or for any use as to which the Customer has not obtained all required governmental approvals, authorizations, licenses, consents and permits.
- 2.9.2 The Company may require applicants for service who intend to use the Company's offerings for resale and/or for shared use to file a letter with the Company confirming that their use of the Company's offerings complies with relevant laws and PUC regulations, policies, orders, and decisions.
- 2.9.3 The Company may require a Customer to immediately shut down its transmission of signals if said transmission is causing interference to others.

2.10 Obligations of the Customer

- 2.10.1 The Customer shall be responsible for:
- (a) the payment of all applicable charges pursuant to this tariff;

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.10 Obligations of the Customer (Cont'd)

2.10.1 (Cont'd)

- (b) damage to or loss of the Company's facilities or equipment caused by the acts or omissions of the Customer; or the noncompliance by the Customer with these regulations; or by fire or theft or other casualty on the Customer Premises, unless caused by the negligence or willful misconduct of the employees or agents of the Company;
- (c) providing at no charge, as specified from time to time by the Company, any needed personnel, equipment, space and power to operate Company facilities and equipment installed on the premises of the Customer Premises, and the level of heating and air conditioning necessary to maintain the proper operating environment on such premises;
- (d) obtaining, maintaining, and otherwise having full responsibility for all rights-of-way and conduits necessary for installation of fiber optic cable and associated equipment used to provide Network Services to the Customer from the cable building entrance or property line to the location of the equipment space described in 2.10.1(c). Any costs associated with obtaining and maintaining the rights-of-way described herein, including the costs of altering the structure to permit installation of the Company-provided facilities, shall be borne entirely by, or may be charged by the Company to, the Customer;

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.10 Obligations of the Customer (Cont'd)

2.10.1 (Cont'd)

- (c) not creating or allowing any liens or other encumbrances to be placed on the Company's equipment or facilities.

2.11 Claims

2.11.1 With respect to any service or facility provided by the Company, Customer shall indemnify, defend and hold harmless the Company from and against all claims, actions, damages, liabilities, costs and expenses, including reasonable attorneys' fees for:

- (a) any loss, destruction or damage to property of the Company or any third party, or the death or injury to persons, including, but not limited to, employees or invitees of either party, to the extent caused by or resulting from the negligent or intentional act or omission of the Customer, its employees, agents, representatives or invitees; or
- (b) any claim, loss, damage, expense or liability for infringement of any copyright, patent, trade secret, or any proprietary or intellectual property right of any third party, arising from any act or omission by the Customer, including, without limitation, use of the Company's services and facilities in a manner not contemplated by the agreement between Customer and Company.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.11 Claims (Cont'd)

- (c) providing a safe place to work and complying with all laws and regulations regarding the working conditions on the premises at which Company employees and agents shall be installing or maintaining the Company's facilities and equipment. The Customer may be required to install and maintain Company facilities and equipment within a hazardous area if, in the Company's opinion, injury or damage to the Company's employees or property might result from installation or maintenance by the Company. The Customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material (e.g. friable asbestos) prior to any construction or installation work;
- (d) complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as may be required with respect to, the location of Company facilities and equipment in any Customer premises or the rights-of-way for which Customer is responsible under section 2.10.1(d); and granting or obtaining permission for Company agents or employees to enter the premises of the Customer at any time for the purpose of installing, inspecting, maintaining, repairing, or upon termination of service as stated herein, removing the facilities or equipment of the Company; and

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.12 Customer Equipment and Channels

- 2.12.1 A Customer may transmit or receive information or signals via the facilities of the Company.
- 2.12.2 Customer provided terminal equipment on the Customer Premises, and the electric power consumed by such equipment shall be provided by and maintained at the expense of the Customer.
- 2.12.3 The Customer is responsible for ensuring that Customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The magnitude and character of the voltages and currents impressed on Company-provided equipment and wiring by the connection, operation, or maintenance of such equipment and wiring shall be such as not to cause damage to the Company-provided equipment and wiring or injury to the Company's employees or to other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the Customer's expense.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.12 Customer Equipment and Channels (Cont'd)

- 2.12.4 Any special interface equipment necessary to achieve compatibility between the facilities and equipment of the Company used for furnishing Network Services and the channels, facilities, or equipment of others shall be provided at the Customer's expense.
- 2.12.5 Network Services may be connected to the services or facilities of other communications carriers only when authorized by, and in accordance with, the terms and conditions of the tariffs of the other communications carriers which are applicable to such connections.

2.13 Inspections

- 2.13.1 Upon suitable notification to the Customer, and at a reasonable time, the Company may make such tests and inspections as may be necessary to determine that the Customer is complying with the requirements set forth in section 2.12.3 for the installation, operation, and maintenance of Customer-provided facilities, equipment, and wiring in the connection of Customer-provided facilities and equipment to Company-owned facilities and equipment.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.13 Inspections (Cont'd)

- 2.13.2 If the protective requirements for Customer provided equipment **are not being complied** with, the Company may take such action as it deems necessary to protect its facilities, equipment, and personnel. The Company will notify the Customer promptly if there is any need for further corrective action. Within ten days of receiving this notice, the Customer must take this corrective action and notify the Company of the action taken. If the Customer fails to do this, the Company may take whatever additional action is deemed necessary, including the suspension of service, to protect its facilities, equipment and personnel from harm.

2.14 Payment Arrangements

2.14.1 Payment for Service

The Customer is responsible for the payment of all charges for facilities and services furnished by the Company to the Customer.

2.14.1.A Taxes

The Customer is responsible for the payment of any sales, use, gross receipts, excise, access or other local, state and federal taxes, charges or surcharges (however designated) (excluding taxes on the Company's net income) imposed on or based upon the provision, sale or use of Network Services.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.14 Payment Arrangements (Cont'd)

2.14.1 Payment for Service (Cont'd)

2.14.1.B Term Payment Plan

2.14.1.B.1 Customers that sign up for service for a three (3) year term will receive a five percent (5%) discount from the published monthly recurring rates. Customers that sign up for service for a five (5) year term will receive a ten percent (10%) discount from the published monthly recurring rates. Both term options are subject to the termination liability charges set forth in Section 2.14.1.C.

2.14.1.B.2 A termination liability charge will be applicable for service rate elements provided under a term payment plan, as described in Section 2.14.1.B of this Tariff, that are disconnected prior to the end of the chosen service period. The termination liability charge is equal to the number of months remaining in the service period multiplied by fifty percent (50%) of the monthly rates for the rate elements disconnected.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.14 Payment Arrangements (Cont'd)

2.14.2 Billing and Collection of Charges

- 2.14.2.A The Customer is responsible for payment of all charges incurred by the Customer or other users for services and facilities furnished to the Customer by the Company.
- 2.14.2.B Non-recurring charges are due and payable within 30 days after the date an invoice is mailed to the Customer by the Company.
- 2.14.2.C The Company shall present invoices for Recurring Charges monthly to the Customer, on or about the first day of the month in which service is provided, and Recurring Charges shall be due and payable within 30 days after the invoice is mailed.
- 2.14.2.D When service does not begin on the first day of the month, or end on the last day of the month, the charge for the fraction of the month in which service was furnished will be calculated on a pro rata basis. For this purpose, every month is considered to have 30 days.

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ACSI Local Switched Services, Inc.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.14 Payment Arrangements (Cont'd)

2.14.2 Billing and Collection of Charges (Cont'd)

2.14.2.E Billing of the Customer by the Company will begin on the service commencement date, which is the first day following the date on which the Company notifies the Customer that the service or facility is available for use, except that the service commencement date may be postponed by mutual agreement of the parties, or if the service or facility does not conform to standards set forth in this tariff or the Service Order. Billing accrues through and includes the day that the service, circuit, arrangement or component is discontinued.

2.14.2.F If any portion of the payment is not received by the Company on or before the date due, or if any portion of the payment is received by the Company in funds which are not immediately available, then the Customer's account shall be delinquent, and a late payment penalty shall be due to the Company. The due date shall be no earlier than thirty (30) days after the Company's invoice is mailed. The late payment penalty shall be the portion of the payment not received by the date due, multiplied by a late factor. The late factor shall be the lesser of (a) a rate 2 percentage points above the Wall Street Journal prime rate, as published from time to time; or (b) the highest interest rate which may be applied under applicable state law for commercial transactions.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.14 Payment Arrangements (Cont'd)

2.14.3 Deposits

2.14.3.A If a Customer cannot demonstrate satisfactory credit by reasonable means appropriate under the circumstances, the Company may require a Customer to make a deposit to be held as a guarantee for the payment of charges. A deposit does not relieve the Customer of the responsibility for the prompt payment of bills on presentation. The deposit will not exceed an amount equal to two twelfths of a Customer's estimated annual billings.

2.14.3.B When a service or facility is discontinued, the amount of a deposit, if any, will be applied to the Customer's account and any credit balance remaining will be refunded. Before the service or facility is discontinued, the Company may, at its option, return the deposit or credit it to the Customer's account, but in no case shall the Company retain the deposit of a Customer who has made prompt and satisfactory payments to the Company for a period of twelve consecutive months.

2.14.3.C Deposits held will accrue interest at a rate based on the simple average interest rate for new issues of one year treasury bills computed over the one year period ending on the preceding first day of December.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.14 Payment Arrangements (Cont'd)

2.14.4 Discontinuance of Service

- 2.14.4.A Upon nonpayment of any amounts owing to the Company, the Company may, by giving ten days' prior written notice to the Customer, discontinue or suspend service without incurring any liability.
- 2.14.4.B Upon violation of any of the other material terms or conditions for furnishing service the Company may, by giving 30 days' prior notice in writing to the Customer, discontinue or suspend service without incurring any liability if such violation continues during that period.
- 2.14.4.C Upon condemnation of any material portion of the facilities used by the Company to provide service to a Customer or if a casualty renders all or any material portion of such facilities inoperable beyond feasible repair, the Company, by notice to the Customer, may discontinue or suspend service without incurring any liability.
- 2.14.4.D Upon the Customer's insolvency, assignment for the benefit of creditors, filing for bankruptcy or reorganization, or failing to discharge an involuntary petition within the time permitted by law, the Company may immediately discontinue or suspend service without incurring any liability.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.14 Payment Arrangements (Cont'd)

2.14.3 Discontinuance of Service (Cont'd)

2.14.4.E Upon any governmental prohibition or required alteration of the services to be provided or any violation of an applicable law or regulation, the Company may immediately discontinue service without incurring any liability.

2.14.4.E Upon the Company's discontinuance of service to the Customer under section 2.14.4.A or 2.14.4.B, the Company, in addition to all other remedies that may be available to the Company at law or in equity or under any other provision of this tariff, may declare all future monthly and other charges which would have been payable by the Customer during the remainder of the term for which such services would have otherwise been provided to the Customer to be immediately due and payable (discounted to present value at six percent).

2.14.5 Cancellation of Application for Service

2.14.5.A Applications for service are noncancellable unless the Company otherwise agrees. Where the Company permits Customer to cancel an application for service prior to the start of service or prior to any special construction, no charges will be imposed except for those specified below.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.14 Payment Arrangements (Cont'd)

2.14.5 Cancellation of Application for Service (Cont'd)

2.14.5.B Where, prior to cancellation by the Customer, the Company incurs any expenses in installing the service or in preparing to install the service that it otherwise would not have incurred, a charge equal to the costs the Company incurred, less net salvage, shall apply, but in no case shall this charge exceed the sum of the charge for the minimum period of services ordered, including installation charges, and all charges others levy against the Company that would have been chargeable to the Customer had service begun (all discounted to present value at six percent).

2.14.5.C Where the Company incurs any expense in connection with special construction, or where special arrangements of facilities or equipment have begun, before the Company receives a cancellation notice, a charge equal to the costs incurred, less net salvage, applies. In such cases, the charge will be based on such elements as the cost of the equipment, facilities, and material, the cost of installation, engineering, labor, and supervision, general and administrative expense, other disbursements, depreciation, maintenance, taxes, provision for return on investment, and any other costs associated with the special construction or arrangements.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.14.6 Changes in Service Requested

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.15 Contested Charges

2.15.1 All bills are presumed accurate, and shall be binding on the Customer unless objection is received by the Company no more than fifteen days (15) days after such bills are rendered. In the case of a billing dispute between the Customer and the Company for service furnished to the Customer, which cannot be settled with mutual satisfaction, the Customer may take the following course of action no more than fifteen (15) days after the billing date:

2.15.1.A First, the Customer may request, and the Company will provide, an in-depth review of the disputed amount. (The undisputed portion and subsequent bills must be paid on a timely basis or the service may be subject to disconnection.)

2.15.1.B Second, if there is still a disagreement about the disputed amount after investigation and review by the Company, the Customer may file an appropriate complaint with the South Dakota Public Utilities Commission. The address of the Commission is:

State Capitol Building
500 East Capitol Street
Pierre, SD 57501-5070
1 800 332-1782

2.15.2 Billing inquiries may be directed to the Company toll free at 1-800-831-0309.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.16 Allowances for Interruptions in Service

2.16.1 Interruptions in service, which are not due to the negligence of, or noncompliance with the provisions of this tariff by, the Customer or the operation or malfunction of the facilities, power or equipment provided by the Customer, will be credited to the Customer as set forth in 2.16.2.A for the part of the service that the interruption affects.

2.16.2 Credit for Interruptions

2.16.2.A A credit allowance will be made when an interruption occurs because of a failure of any component furnished by the Company under this tariff. An interruption period begins when the Customer reports a service, facility or circuit to be interrupted and releases it for testing and repair. An interruption period ends when the service, facility or circuit is operative. If the Customer reports a service, facility or circuit to be inoperative but declines to release it for testing and repair, it is considered to be impaired, but not interrupted.

2.16.2.B For calculating credit allowances, every month is considered to have 30 days. A credit allowance is applied on a pro rata basis against the rate, specified hereunder and is dependent upon the length of the interruption. Only those facilities on the interrupted portion of the circuit will receive a credit.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.16 Allowances for Interruptions in Service (Cont'd)

2.16.2 Credit for Interruptions (Cont'd)

2.16.2.C A credit allowance will be given for interruptions of 15 minutes or more. Credit allowances shall be calculated as follows:

Interruptions of 24 Hours or Less

<u>Length of Interruption</u>	<u>Interruption Period To Be Credited</u>
Less than 15 minutes	None
15 minutes up to but not including 3 hours	1/10 Day
3 hours up to but not including 6 hours	1/5 Day
6 hours up to but not including 9 hours	2/5 Day
9 hours up to but not including 12 hours	3/5 Day
12 hours up to but not including 15 hours	4/5 Day
15 hours up to but not including 24 hours	One Day

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.16 Allowances for Interruptions in Service (Cont'd)

2.16.2 Credit for Interruptions (Cont'd)

Two or more interruptions of 15 minutes or more during any one 24-hour period shall be considered as one interruption.

Interruptions Over 24 Hours and Less Than 72 Hours. Interruptions over 24 hours and less than 72 hours will be credited 1/5 day for each 3-hour period or fraction thereof. No more than one full day's credit will be allowed for any period of 24 hours.

Interruptions Over 72 Hours. Interruptions over 72 hours will be credited 2 days for each full 24-hour period. No more than 30 days credit will be allowed for any one month period.

2.16.3 Limitations on Allowances

No credit allowance will be made for:

- (a) interruptions due to the negligence of, or noncompliance with the provisions of this tariff by, the Customer, authorized user, joint user, or other common carrier providing service connected to the service of the Company;

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.16 Allowances for Interruptions in Service (Cont'd)

2.16.3 Limitations on Allowances (Cont'd)

- (b) interruptions due to the negligence of any person other than the Company, including but not limited to the Customer or other common carriers connected to the Company's facilities;
- (c) interruptions due to the failure or malfunction of non-Company equipment;
- (d) interruptions of service during any period in which the Company is not given full and free access to its facilities and equipment for the purpose of investigating and correcting interruptions;
- (e) interruptions of service during a period in which the Customer continues to use the service on an impaired basis;
- (f) interruptions of service during any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements; and
- (g) interruption of service due to circumstances or causes beyond the control of Company.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.16 Allowances for Interruptions in Service (Cont'd)

2.16.4 Cancellation For Service Interruption

Cancellation or termination for service interruption is permitted only if any circuit experiences a single continuous outage of 8 hours or more or cumulative service credits equalling 16 hours in a continuous 12-month period. The right to cancel service under this provision applies only to the single circuit which has been subject to the outage or cumulative service credits.

2.17 Cancellation of Service

If a Customer cancels a Service Order or terminates services before the completion of the term for any reason whatsoever other than a service interruption (as defined in 2.16 above), Customer agrees to pay to Company the following sums which shall become due and owing as of the effective date of the cancellation or termination and be payable within the period set forth in 2.14 all costs, fees and expenses reasonably incurred in connection with 1) all Non-Recurring charges reasonably expended by Company to establish service to Customer, plus 2) any disconnection, early cancellation or termination charges reasonably incurred and paid to third parties by Company on behalf of Customer, plus 3) all Recurring Charges specified in the applicable Service Order Tariff for the balance of the then current term.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.18 Transfers and Assignments

Neither the Company nor the Customer may assign or transfer its rights or duties in connection with the services and facilities provided by the Company without the written consent of the other party, except that the Company may assign its rights and duties (a) to any subsidiary, parent company or affiliate of the Company, (b) pursuant to any sale or transfer of substantially all the assets of the Company, or (c) pursuant to any financing, merger or reorganization of the Company.

2.19 Notices and Communications

2.19.1 The Customer shall designate on the Service Order an address to which the Company shall mail or deliver all notices and other communications, except that Customer may also designate a separate address to which the Company's bills for service shall be mailed.

2.19.2 The Company shall designate on the Service Order an address to which the Customer shall mail or deliver all notices and other communications, except that Company may designate a separate address on each bill for service to which the Customer shall mail payment on that bill.

2.19.3 All notices or other communications required to be given pursuant to this tariff will be in writing. Notices and other communications of either party, and all bills mailed by the Company, shall be presumed to have been delivered to the other party on the third business day following placement of the notice, communication or bill with the U.S. Mail or a private delivery service, prepaid and properly addressed, or when actually received or refused by the addressee, whichever occurs first.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)**2.19 Notices and Communications (Cont'd)**

- 2.19.4 The Company or the Customer shall advise the other party of any changes to the addresses designated for notices, other communications or billing, by following the procedures for giving notice set forth herein.

2.20 Individual Case Basis (ICB) Arrangements

- 2.20.1 Arrangements will be developed on a case-by-case basis in response to a bona fide request from a Customer or prospective Customer to develop a competitive bid for a service offered under this tariff. Rates quoted in response to such competitive requests may be different from those specified for such services in Section 4 of this tariff. ICB rates will be offered to the Customer in writing and on a nondiscriminatory basis.

2.21 Temporary Promotional Programs

- 2.21.1 The Company may establish temporary promotional programs wherein it may waive or reduce non-recurring or recurring charges, to introduce present or potential Customers to a service not previously received by the Customers.

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SECTION 3. EXPLANATION OF RATES

The regulations set forth in this section explain how to apply the rate table associated with the various services offerings described in Section 4.

3.1 Timing of Calls

- 3.1.1 Billing for calls placed over the Company's underlying carrier's network is based on the duration of the call. Timing begins when the called station is answered, as determined by standard industry methods generally in use for ascertaining answers, including answer supervision hardware by which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. Timing ends when either party hangs up.

3.2 Computation of Charges

- 3.2.1 As set forth in Section 4, calls will be billed in increments of either: (i) an initial eighteen (18) second period and additional six (6) second periods; (ii) an initial thirty (30) second period and additional six (6) second periods; (iii) an initial sixty (60) second period and additional thirty (30) second periods; or (iv) an initial one (1) minute period and additional one (1) minute periods.

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SECTION 4. RATE SCHEDULES

4.1 Audio Conference Calling

4.4.1 Description of Service

Audio Conference Calling service is an audio service that allows Customers to establish conference calls with individuals located at different sites. Customers may select among the following audioconferencing services when making a conference reservation:

800 Attended- Using the 800 Attended option, each participant to the conference enters into the conference meeting using their pre-assigned conference telephone number. 800 Attended provides a "live" conference operator who will enter each participant into the conference meeting.

800 Unattended- The 800 Unattended option is designed for experienced conference users who do not require a "live" conference operator to greet and enter participants into audioconferencing meetings. Under this option, each participant will dial into their scheduled Unattended call, receive an electronic voice greeting and prompt to enter their pass code into the telephone keypad to enter their conference meeting.

Dial Out- The Dial Out option is available for meetings that require a conference operator to "dial out" to meeting participants at a scheduled meeting time. The Dial Out participant list is either verbally given when the conference reservation is made or the Customer may fax the list of conference participants.

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SECTION 4. RATE SCHEDULES (Cont'd)

4.1 Audio Conference Calling (Cont'd)

4.4.1 Description of Service (Cont'd)

Local Meet Me Attended- Under the Local Meet Me Attended option, the participant, using a local DID number, dials into the conference meeting using a pre-assigned conference telephone number. Personal 800 numbers also can be used for those who schedule Local Meet Me Attended conferences. The participant will be greeted by a conference operator and each will be asked for the conference password. Additional security information can be requested by the operator such as the participant's name, or their employee number for high security conference meetings.

Local Unattended- Under the Local Unattended option, the participant, using a local DID number, dials into the conference meeting using a pre-assigned conference telephone number. Local Unattended is designed for Customers who are comfortable with audio conference meetings and do not require a "live" conference operator to greet and enter them into the conference call. Each participant will dial into their scheduled Unattended call, receive an electronic voice and prompt to enter the passcode into the telephone keypad to enter their conference meeting.

Audio Conference Customer also may select among the following additional features:

Tape Recording
Transcription
Fax
Tape Copes

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SECTION 4. RATE SCHEDULES (Cont'd)

4.1 Audio Conference Calling (Cont'd)

4.4.2 Billing Increments

Audio Conference Calls are billed in initial one (1) minute increments and additional periods of one (1) minute. All Audio Conference calls are rounded up to the next full minute

4.4.3 Rates

Audio Conference Calling Options

800 Attended	\$.55 per minute
800 Unattended	\$.45 per minute
Dial Out	\$.55 per minute
Local Meet Me Unattended	\$.30 per minute
Local Unattended	\$.25 per minute

Features:

The charges listed below are in addition to those listed for Audio Conference Calling.

Tape Recording	\$12.00 per 90 minutes
Transcription	\$50.00 per transcription hour
Fax	\$.50 per page
Tape Copies	\$10 per tape

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4. RATE SCHEDULES (Cont'd)

4.2. Post-Paid Calling Card

4.2.1 Description of Service

Post-Paid Calling Card service enables Customers to make calls through the use of a long distance calling card. Charges incurred are billed to the Customer's Accounts.

4.2.2 Billing Increments

Post-Paid Calling Card calls are billed in initial one (1) minute increments and additional periods of one (1) minute. All Post-Paid Calling Cards are rounded up to the next full minute.

4.2.3 Rates

Per Minute: \$0.25

There is no service charge.

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4. RATE SCHEDULES (Cont'd)

4.3 ACSI Long Distance

4.3.1. Description of Service

ACSI Long Distance is a long distance message telephone service provided between points located within the state.

4.3.2 Billing Increments

All ACSI Long Distance calls are billed in initial thirty (30) second increments and additional periods of six (6) seconds.

4.3.3. Rates

	<u>Peak</u>	<u>Off Peak</u>
Initial 30 seconds:	\$0.065	\$0.065
Additional 6 seconds:	\$0.013	\$0.013

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4. Rate Schedules (Cont'd)

4.4 Dedicated Toll Free Service

[RESERVED FOR FUTURE USE]

4.5 Prepaid Calling Card Service

[RESERVED FOR FUTURE USE]

4.6 Operator Services

[RESERVED FOR FUTURE USE]

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Sept. 9, 1997

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\$ 250.00

Two-Hundred and Fifty

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James K. Lindert

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South Dakota
Public Utilities Commission
State Capitol 500 E. Capitol
Pierre, SD 57501-5070
Phone: (800) 332-1782
Fax: (605) 773-3809

TELECOMMUNICATIONS SERVICE FILINGS

These are the telecommunications service filings that the Commission has received for the period of:

09/05/97 through 09/11/97

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five days of this filing.

DOCKET NUMBER	TITLE/STAFF/SYNOPSIS	DATE FILED	INTERVENTION DEADLINE
REQUEST FOR CERTIFICATE OF AUTHORITY			
TC97-153	Application by ACSI Local Switched Services, Inc. for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: TS/CH) "ACSI seeks authority to provide a full range of interexchange services, including MTS, dedicated MTS, toll free, dedicated 800 access, calling card, debit card, audioconferencing and operator-assisted services."	09/10/97	09/26/97
REQUEST FOR ELIGIBLE TELECOMMUNICATIONS COMPANY STATUS			
TC97-154	West River Telecommunications Cooperative, Hazen, North Dakota, 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 area that constitutes its service area in South Dakota. West River Telecommunications Cooperative is the facilities-based local exchange carrier presently providing local exchange telecommunications services in the following exchange in South Dakota: McLaughlin (823). West River Telecommunications Cooperative, to its knowledge, is the only carrier today providing local exchange telecommunications service in the above exchange area. (Staff: HB/KC)	09/10/97	09/26/97
TC97-155	Mobridge Telecommunications Co., Hazen, North Dakota, 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 area that constitutes its service area in South Dakota. Mobridge Telecommunications Co. is the facilities-based local exchange carrier presently providing local exchange telecommunications services in the following exchange in South Dakota: Mobridge (845). Mobridge Telecommunications Co., to its knowledge, is the only carrier today providing local exchange telecommunications service in the above exchange area. (Staff: HB/CH)	09/10/97	09/26/97
REQUEST FOR PROPOSED RULES			
NA	Any interested person or entity may file proposed rules concerning advertising requirements for eligible telecommunications carriers. Pursuant to 47 U.S.C. section 214(e)(1), an eligible telecommunications carrier must advertise the availability of services supported by the federal universal service support mechanisms and the charges for those services using media of general distribution. The proposed rules must be filed with the Commission on or before September 29, 1997. After considering the rules proposed by any interested person or entity, the Commission intends to open a rulemaking setting forth its proposed rules concerning advertising requirements for eligible telecommunications carriers.		proposed rules by 09/29/97

Important Notice: The Commission is compiling a list of internet addresses. If you have an internet address please notify the Commission by E-mailing it to Terry Norum at: terryn@pucc.state.sd.us. Faxing the address to the Commission at: 605-773-3809.

7697-153

INDEMNITY BOND
to the
PEOPLE OF THE STATE OF SOUTH DAKOTA

BOND NO. B2746481

We, American Communications Services, Inc. on behalf of ACSI Local Switched Services, Inc., the principal and applicant for a CERTIFICATE OF AUTHORITY to resell long-distance telecommunications services within the State of South Dakota, and Reliance Insurance Company, of Philadelphia, Pennsylvania, as an admitted surety insurer, bind ourselves unto the Public Service Commission of the State of South Dakota and the consumers of South Dakota, as Obligee, in the sum of TWENTY FIVE THOUSAND ---no/100 Dollars (\$25,000).

The conditions of the obligation are such that the principal, having been granted such CERTIFICATE OF AUTHORITY subject to the provision that said principal purchase this Indemnity Bond, and if said principal shall in all respects fully and faithfully comply with all applicable provisions of South Dakota State Law and reimburse customers of the principal for any prepayment or deposits they have made which the principal may be unable or unwilling to return to said customers as a result of insolvency or other business failure, then this obligation shall be void, discharged and forever exonerated, otherwise to remain in full force and effect.

This bond shall take effect as of the date hereon and shall remain in force and effect until the surety is released from liability by the written order of the Public Service Commission, provided that the surety may cancel this Bond and be relieved of further liability hereunder by delivering thirty (30) days written notice to the Public Service Commission. Such cancellation shall not affect any liability incurred or accrued hereunder prior to the termination of said thirty (30) day period.

Dated this 2nd day of October 1997

to be effective this 2nd day of October 1997.

*Original Bond in
Dallaire's bottom
desk drawer.*

AMERICAN COMMUNICATIONS SERVICES INC.

BY:



Principal

Countersigned this 6th day of
Oct, 1997

RELIANCE INSURANCE COMPANY

Surety

By: Richard E. Smith
Richard F. Smith, Attorney-in-Fact

Countersign for South Dakota
By: Wick Seem
Resident Agent

RELiance SURETY COMPANY
UNITED PACIFIC INSURANCE COMPANY

RELiance INSURANCE COMPANY
RELiance NATIONAL INDEMNITY COMPANY

ADMINISTRATIVE OFFICE, PHILADELPHIA, PENNSYLVANIA

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that RELiance SURETY COMPANY is a corporation duly organized under the laws of the State of Delaware, and that RELiance INSURANCE COMPANY and UNITED PACIFIC INSURANCE COMPANY, are corporations duly organized under the laws of the Commonwealth of Pennsylvania and that RELiance NATIONAL INDEMNITY COMPANY is a corporation duly organized under the laws of the State of Wisconsin, hereinafter collectively called "the Companies" and that the Companies by virtue of signature and seals do hereby make, constitute and appoint Stanley Quirk, Kathleen Shanahan, Maryann Wilson, Louis Balsamo, Richard F. Smith, of Philadelphia, Pennsylvania their true and lawful Attorney-in-Fact, to make, execute, seal and deliver for and on their behalf, and as their act and deed any and all bonds and undertakings of suretyship; and to bind the Companies thereby as fully and to the same extent as if such bonds and undertakings and other writings obligatory in the nature thereof were signed by an Executive Officer of the Companies and sealed and attested by one other of such officers, and hereby ratifies and confirms all that their said Attorney-in-Fact may do in pursuance hereof.

This Power of Attorney is granted under and by the authority of Article VII of the By-Laws of RELiance SURETY COMPANY, RELiance INSURANCE COMPANY, UNITED PACIFIC INSURANCE COMPANY, and RELiance NATIONAL INDEMNITY COMPANY which provisions are now in full force and effect, reading as follows:

ARTICLE VII - EXECUTION OF BONDS AND UNDERTAKINGS

1. The Board of Directors, the President, the Chairman of the Board, any Senior Vice President, any Vice President or Assistant Vice President or other officer designated by the Board of Directors shall have power and authority to let execute Attorney-in-Fact and to authorize them to execute on behalf of the Company, bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof; and to remove any such Attorney-in-Fact at any time and revoke the power and authority given to them.

2. Attorney-in-Fact shall have power and authority, subject to the terms and limitations of the Power of Attorney issued to them, to execute deliver on behalf of the Company, bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof. The corporate seal is not necessary for the validity of any bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof.

3. Attorney-in-Fact shall have power and authority to execute affidavits required to be attached to bonds, recognizances, contracts of indemnity or other conditional or obligatory undertakings and they shall also have power and authority to certify the financial statement of the Company and to copies of the By-Laws of the Company or any article or section thereof.

The Power of Attorney is signed and sealed by the Companies under and by authority of the following resolutions adopted by the Executive and Finance Committees of the Boards of Directors of Reliance Insurance Company, United Pacific Insurance Company and Reliance National Indemnity Company by Unanimous Consent dated as of February 28, 1986 and by the Executive and Finance Committees of the Board of Directors of Reliance Surety Company by Unanimous Consent dated as of March 31, 1986.

"Resolved that the signatures of such officers and officers and the seal of the Company may be affixed to any such Power of Attorney or the certificates relating thereto by the Companies and any such Power of Attorney or certificates bearing such signatures and seal shall be valid and binding upon the Companies, in the future with respect to any bond or undertaking in which it is attached."

IN WITNESS WHEREOF, the Companies have caused these presents to be signed and their corporate seals to be hereto affixed, this June 16, 1996.



RELiance SURETY COMPANY
RELiance INSURANCE COMPANY
UNITED PACIFIC INSURANCE COMPANY
RELiance NATIONAL INDEMNITY COMPANY

Charles B. Schmalz

STATE of Pennsylvania }
COUNTY OF Philadelphia } ss.

On this, June 16, 1996, before me, Tammy Sue Kayati, personally appeared Charles B. Schmalz, who acknowledged himself to be the Executive Vice President of the Reliance Surety Company, United Pacific Insurance Company, Reliance Insurance Company, and Reliance National Indemnity Company and that as such, being authorized to do so, executed the foregoing instrument for the purpose therein contained by signing the name of the corporation by himself as its duly authorized officer.

In witness whereof, I hereunto set my hand and official seal.

NOTARIAL SEAL
TAMMY SUE KAYATI, Notary Public
City of Philadelphia, Philadelphia County
My Commission Expires July 20, 1998



Tammy Sue Kayati
Notary Public in and for the State of Pennsylvania
Residing at Philadelphia

I, Anita Zapert, Secretary of RELiance SURETY COMPANY, RELiance INSURANCE COMPANY, UNITED PACIFIC INSURANCE COMPANY, and RELiance NATIONAL INDEMNITY COMPANY do hereby certify that the above and foregoing is a true and correct copy of the Power of Attorney executed by said Companies, which is still in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seals of said Companies this 2nd day of October, 1997

Anita Zapert
Secretary



BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF)
ACSI LOCAL SWITCHED SERVICES, INC.)
FOR A CERTIFICATE OF AUTHORITY TO)
PROVIDE TELECOMMUNICATIONS)
SERVICES IN SOUTH DAKOTA)

ORDER GRANTING
CERTIFICATE OF
AUTHORITY

TC97-153

On September 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 ACSI Local Switched Services, Inc. (ACSI).

ACSI seeks authority to provide intraLATA toll and interLATA interstate telecommunications services to the public including: MTS, dedicated MTS, toll free, dedicated 800 access, calling card, debit card, audioconferencing and operator assisted services. A proposed tariff was filed by ACSI. The Commission has classified long distance service as fully competitive.

On September 11, 1997, the Commission electronically transmitted notice of the filing and the intervention deadline of September 26, 1997, to interested individuals and entities. No petitions to intervene or comments were filed and at its regularly scheduled October 28, 1997, meeting, the Commission considered ACSI's request for a certificate of authority. Commission Staff recommended granting a certificate of authority.

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 ACSI has met the legal requirements established for the granting of a certificate of authority. ACSI 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 ACSI's application for a certificate of authority. As the Commission's final decision in this matter, it is therefore

ORDERED, that ACSI's application for a certificate of authority is hereby granted, effective November 10, 1997. It is

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

Dated at Pierre, South Dakota, this 3rd day of November, 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 *Neilene Kuhn*

Date 11/4/97

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

CERTIFICATE OF AUTHORITY

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

Authority was Granted October 28, 1997, effective November 10, 1997
Docket No. TC97-153

This is to certify that

ACSI LOCAL SWITCHED SERVICES, INC.

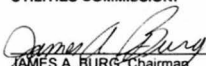
is authorized to provide telecommunications services in South Dakota.

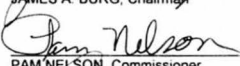
This certificate is issued in accordance with SDCL 49-31-3 and ARSD 20 10 24 02, and is subject to all of the conditions and limitations contained in the rules and statutes governing its conduct of offering telecommunications services

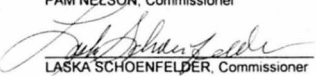
Dated at Pierre, South Dakota, this 3rd day of November, 1997.

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION:**




JAMES A. BURG, Chairman


PAM NELSON, Commissioner


LASKA SCHOENFELDER, Commissioner