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DOCKET NO.

Public Utilities Commission of the State of South Dakota

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TC 99-061
ORIGINAL

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

WASHINGTON OFFICE
3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
TELEPHONE (202) 424-7500
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June 16, 1999

NEW YORK OFFICE
919 THIRD AVENUE
NEW YORK, NY 10022-9998
TELEPHONE (212) 758-9500
FACSIMILE (212) 758-9526

VIA OVERNIGHT DELIVERY

William Bullard, Executive Director
South Dakota Public Utilities Commission
500 E. Capitol Ave.
State Capitol Building, First Floor
Pierre, South Dakota 57501

RECEIVED

JUN 17 1999

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

Re: Application of International Exchange Communications, Inc. d/b/a IE Com

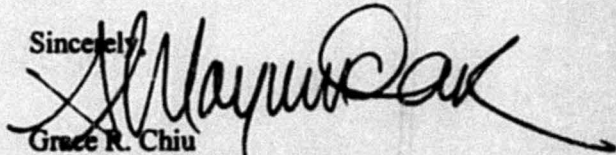
Dear Mr. Bullard:

Enclosed for filing on behalf of International Exchange Communications, Inc. d/b/a IE Com ("IE Com") are an original and ten (10) copies of IE Com's Application for a Certificate of Authority to Provide Resold Interexchange Telecommunications Services in South Dakota ("Application"). A check for \$250.00 to cover the requisite filing fee is enclosed.

Also enclosed are an original and ten (10) copies of IE Com's Request for Confidential Treatment, which requests confidential treatment of IE Com's financial statements, submitted at Exhibit 3 of the Application. These statements have been submitted in a sealed envelope marked "CONFIDENTIAL." IE Com respectfully requests that this information not be divulged to the public.

Please date-stamp the enclosed extra copy of this letter and return it in the self-addressed, postage-paid envelope attached. Should you have any questions concerning this filing, please do not hesitate to contact the undersigned.

Sincerely,


Grace R. Chiu

Anandashankar Mazumdar

Counsel for
International Exchange Communications, Inc.

Enclosures

TC 99-061

BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

RECEIVED

JUN 17 1999

Application of)
)
International Exchange Communications, Inc.)
d/b/a IE Com)
)
for a Certificate of Authority to Provide)
Resold Interexchange Telecommunications)
Services in the State of South Dakota)

Docket No. _____

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

REQUEST FOR CONFIDENTIAL TREATMENT

International Exchange Communications, Inc. ("IE Com"), by its counsel and pursuant to Admin. Rules of South Dakota §§ 10:0:01:41-42, hereby requests the South Dakota Public Utilities Commission (the "Commission") to designate as confidential IE Com's financial statements submitted as Exhibit 3 of IE Com's above-captioned Application for a Certificate of Authority ("Application"), which is being filed concurrently with the instant request. In support of this request, IE Com provides the following information:

1. Attached as Exhibit 3 to IE Com's Application are the financial statements of IE Com. IE Com avers that these statements contain critical, commercially sensitive and competitively significant data that is not available to the general public.

2. Because the telecommunications industry is highly competitive, IE Com believes that disclosure of this information would place it at a significant competitive disadvantage, impede full and fair competition, and undermine its business plans in South Dakota. Public access to this data would provide competitors with proprietary information regarding IE Com's financial strategies and future business plans that would otherwise be unavailable. IE Com submits that such disclosure would ultimately put IE Com at a competitive disadvantage in the South Dakota telecommunications

marketplace. Confidential treatment of this data is therefore required to avoid commercial and competitive injury to IE Com.

3. In contrast, confidential treatment of IE Com's financial statements would not adversely affect any interested party.

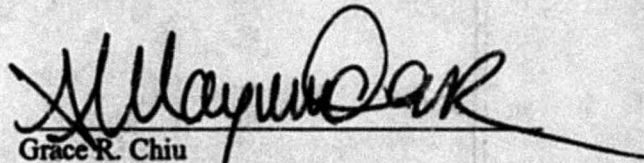
4. IE Com requests confidential treatment of its financial statements for the entire time period during which IE Com's Application is under review by the Commission and its staff. Upon grant of the Application, IE Com respectfully requests that its financial statements be returned to the undersigned attorneys of record at the address listed below.

5. Any questions regarding this request should be directed to the undersigned.

WHEREFORE, IE Com respectfully requests the Commission to designate IE Com's financial statements, submitted as Exhibit 3 of its Application, as confidential pursuant to Admin. Rules of South Dakota § 20:10:01:39(6).

Respectfully submitted,

By:



Grace R. Chiu

Anandashankar Mazumdar

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

3000 K Street, N.W., Suite 300

Washington, D.C. 20007

Telephone: (202) 424-7500

Facsimile: (202) 424-7654

Counsel for International Exchange Communications,
Inc. d/b/a IE Com

Dated: June 16, 1999

**BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

RECEIVED

JUN 17 1999

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Application of)
)
International Exchange Communications, Inc.)
d/b/a IE Com)
)
For a Certificate of Authority to Provide)
Resold Interexchange Telecommunications)
Services within the State of South Dakota)

Docket No. _____

APPLICATION FOR CERTIFICATE OF AUTHORITY

International Exchange Communications, Inc. d/b/a IE Com ("IE Com" or "Applicant"), by its undersigned counsel, hereby submits its Application for a Certificate of Authority to provide resold intrastate interexchange telecommunications services pursuant to Section 49-31-3 of the South Dakota Codified Laws and the Rules of the Public Utilities Commission.

In support of this Application, pursuant to Section 20:10:24:02 of the Telecommunications Service Rules, IE Com provides the following information:

1. 20:10:24:02(1). Name, address, and telephone number of applicant. Applicant's legal name is International Exchange Communications, Inc. Applicant maintains its principal place of business at:

500 Airport Blvd., Suite 340
Burlingame, California 94010
Telephone: (650) 375-6700
Facsimile: (650) 375-6799

Correspondence or communications pertaining to this Application should be directed to

Applicant's attorneys of record:

Grace R. Chiu
Anandashankar Mazumdar
Swidler Berlin Shereff Friedman, LLP
3000 K St., N.W., Suite 300
Washington, D.C. 20007-5116
Telephone: (202) 424-7500
Facsimile: (202) 424-7645

with a copy to:

Charles G. Taylor, Jr.
International Exchange Communications, Inc. d/b/a IE Com
901 Main Street, Suite 2311
Dallas, Texas 75202

2. 20:10:24:02(2). Name under which applicant will provide services. Applicant has a certificate to do business in South Dakota under the trade, assumed, or fictitious name, "IE Com."

3. 20:10:24:02(3). Legal organization.

a. 20:10:24:02(3)(a). State of organization, date of organization, and authority to transact business in South Dakota. Applicant is a corporation organized under the laws of Delaware on June 27, 1997, and is qualified to do business in South Dakota. A copy of Applicant's Certificate of Incorporation and a copy of IE Com's authorization to conduct business as a foreign corporation in South Dakota are included as Exhibit 1.

b. 20:10:24:02(3)(b). Location of principal office in South Dakota and registered agent. Applicant does not currently have an office within South Dakota. IE Com's registered agent in South Dakota is:

HIQ Corporate Services, Inc.
919 Main St.
Post Office Box 277
Rapid City, South Dakota 57701

c. 20:10:24:02(3)(c). Ownership and management interest. IE Com is a wholly owned subsidiary of Pacific Gateway Exchange, Inc., a Delaware corporation.

Applicant's officers and directors are as follows:

Howard A. Neckowitz	President and Director
Gail E. Granton	Vice President, Secretary, Treasurer, and Director

All of the above may be reached at the address and telephone number given in paragraph 1 of this application. IE Com's management personnel are well qualified to execute its business plan, having extensive managerial, financial, and technical telecommunications experience. Descriptions of the telecommunications and managerial experience of Applicant's key personnel are attached hereto as Exhibit 2.

4. 20:10:24:02(4). Partnership information. Applicant is not a partnership.

5. 20:10:24:02(5). Proposed services. IE Com intends to offer resold interexchange services, including, but not limited to, direct dial "1+" long distance message telecommunications service ("MTS") and prepaid and postpaid calling card services to business and residential customers. MTS services are provided via Feature Group Access. IE Com's services are available on a full-time basis, 24 hours a day, seven days a week. Customers will be billed either directly by

IE Com or charges will be incurred on the customer's regular home or business telephone bill pursuant to billing and collection agreements established by IE Com or its intermediary with the applicable telephone company.

6. 20:10:24:02(6). Facilities to be used to provide services. As a resale carrier, Applicant has not installed nor does it currently plan to install any equipment, plant, or facilities in the State of South Dakota. In South Dakota, IE Com will resell the facilities-based interexchange services of Sprint and WITel. In the event IE Com subsequently formulates plans for installing any facilities in South Dakota, it will notify the Commission and comply with all regulations, as appropriate.

7. 20:10:24:02(7). Geographic area to be served. Applicant plans to provide resold interexchange telecommunications services to subscribers to and from all points in South Dakota, and, therefore, seeks statewide authorization. Since IE Com seeks to provide statewide authority, Applicant has not included a map showing proposed service areas.

8. 20:10:24:02(8). Financial qualifications and tariff. IE Com has access to the financing and capital necessary to conduct the telecommunications operations as specified in this Application. As a resale carrier, IE Com will rely upon its existing personnel and technological and financial resources to provide intrastate services. Pursuant to Applicant's Request for Confidential treatment, filed concurrently with this Application, IE Com submits one copy of its financial statements under seal, in the envelope marked "Confidential." As indicated in its financial statements, IE Com has cash and cash equivalents available to fund its proposed telecommunications operations in South Dakota.

Any additional investment needed to offer the proposed services will be furnished by its parent company, Pacific Gateway Exchange, Inc. ("PGE"). IE Com submits as Exhibit 3 the financial statements of PGE and its subsidiaries, including IE Com. For the year ending December 31, 1998, PGE had total assets of \$236 million, which exceeded total liabilities of \$135 million, providing stockholders' equity of \$101 million. With access to the substantial financial resources of its parent, PGE, IE Com is financially well qualified to provide the telecommunications services proposed in this Application.

A copy of IE Com's proposed tariff containing IE Com's rates and terms and conditions of service is attached hereto as Exhibit 4.

9. 20:10:24:02(9). Complaint contact, regulatory contact, and handling of billing and customer service matters. All inquiries regarding complaints should be referred to:

Gail E. Granton
Vice President
International Exchange Communications, Inc. d/b/a IE Com
500 Airport Blvd., Suite 340
Burlingame, California 94010
Telephone: (650) 375-6700
Facsimile: (650) 375-6799
E-mail: ggranton@pgexch.com

Questions concerning regulatory issues should be addressed to Ms. Gail E. Granton at the address and telephone number given above.

Questions concerning the ongoing operations of IE Com following certification should be directed to:

Charles G. Taylor, Jr.
901 Main Street, Suite 2311
Dallas, Texas 75202
Telephone: (214) 932-1102
Facsimile: (214) 742-7440

Customers with service, billing and repair questions or complaints may reach IE Com at its 24-hour toll-free customer service number, (888) 551-0597, for assistance. In the event of a billing dispute, IE Com will perform a review of the disputed billing amount and attempt to reach a settlement to the mutual satisfaction of both parties. Following a full investigation to determine whether or not the charges are improper, IE Com may adjust the disputed bill.

10. 20:10:24:02(10). Current authority to provide service. IE Com provides interstate services pursuant to a tariff filed with the Federal Communications Commission. IE Com is authorized, pursuant to certification, registration or deregulation, to provide resold interexchange service in over 30 states, including: Arkansas, California, Colorado, Connecticut, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Mississippi, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Dakota, Ohio, Pennsylvania, Texas, Utah, Virginia, Wisconsin, and Wyoming. IE Com is in the process of applying for authorization to provide intrastate interexchange services nationwide. IE Com has not been denied authorization to provide service in any state and is in good standing in every state where it holds such authorization.

11. 20:10:24:02(11) Marketing. IE Com intends to market its services to business and residential customers in the State of South Dakota. IE Com plans to market its services directly through the Internet and direct mail. In addition, IE Com also intends to utilize sales agents to solicit customers by telephone or in person. IE Com, however, has not yet developed brochures or other materials to be used in marketing its services in South Dakota. IE Com will not engage in multi-level marketing in South Dakota. Requests for change of a primary interexchange carrier will be confirmed through third-party verification or letters of agency ("LOAs") for telemarketing and through LOAs for direct marketing. IE Com will comply with South Dakota law and the Federal Communications Commission's ("FCC") regulations governing changing a customer's primary interexchange carrier.

12. 20:10:24:02(12). Cost support. The services that IE Com has proposed herein are competitive services; therefore, IE Com has not provided cost support for the rates shown in its tariff.

13. 20:10:24:02(13). Federal tax identification number. Applicant's federal tax identification number is 94-3292374.

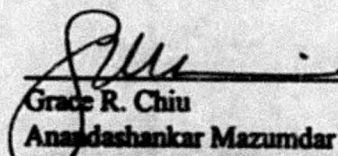
14. 20:10:24:02(14). Slamming and cramming complaints. There are no complaints against Applicant in any jurisdiction regarding the unauthorized switching of a customer's telecommunications provider or the act of charging customers for services that have not been ordered.

15. 20:10:24:02(16). Other information. The entry of IE Com into the telecommunications business in South Dakota will serve the public interest by creating greater competition in the interexchange marketplace and permitting customers to achieve increased efficiencies and cost

savings. IE Com's proposed intrastate services will enhance the services available to consumers and increase consumer choice through innovative, diversified, and reliable service offerings. Consumers will benefit both directly as a result of the competitively priced service options available from IE Com and also indirectly as IE Com's presence increases the incentives for other telecommunications providers to operate more efficiently, reduce prices, and offer more innovative services. Approval of this Application, therefore, will serve the public interest.

WHEREFORE, International Exchange Communications, Inc. d/b/a IE Com requests that the South Dakota Public Utilities Commission grant the requested Application authorizing it to provide intrastate interexchange telecommunications services in the State of South Dakota.

Respectfully submitted,



Grace R. Chiu
Anandashankar Mazumdar
SWIDLER BERLIN SHEREFF FRIEDMAN, LLP
3000 K St., N.W., Suite 300
Washington, D.C. 20007-5116
Telephone: (202) 424-7500
Facsimile: (202) 424-7645

Counsel for
International Exchange Communications, Inc.

Dated: June 16, 1999

LIST OF EXHIBITS

- EXHIBIT 1** **Certificate of Incorporation and
Certificate of Authority to Transact Business As a Foreign Corporation**
- EXHIBIT 2** **Management Qualifications**
- EXHIBIT 3** **IE Com Financial Statements (submitted under seal)
Financial Statements of Applicant's Parent, PGE**
- EXHIBIT 4** **Proposed Tariff**
- VERIFICATION**

EXHIBIT 1

**Certificate of Incorporation and
Certificate of Authority to Transact Business As a Foreign Corporation**

State of South Dakota



OFFICE OF THE SECRETARY OF STATE

CERTIFICATE OF AUTHORITY

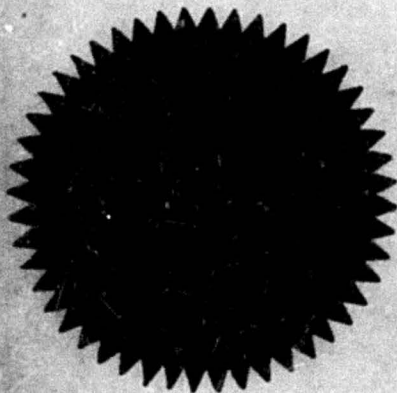
I, JOYCE HAZELTINE, Secretary of State of the State of South Dakota, hereby certify that the Application for a Certificate of Authority of INTERNATIONAL EXCHANGE COMMUNICATIONS, INC. (DE) to transact business in this state duly signed and verified pursuant to the provisions of the South Dakota Corporation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

ACCORDINGLY and by virtue of the authority vested in me by law, I hereby issue this Certificate of Authority and attach hereto a duplicate of the application to transact business in this state under the name of INTERNATIONAL EXCHANGE COMMUNICATIONS, 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 August 6, 1998.

A handwritten signature in cursive script that reads "Joyce Hazeltine".

JOYCE HAZELTINE
Secretary of State



SECRETARY OF STATE
STATE CAPITOL
500 E. CAPITOL
PIERRE, S.D. 57501-5077
605-773-4645
FAX (605) 773-4645

FILE NO. _____
RECEIPT NO. _____

RECEIVED

AUG 04 1998

S.D. SEC. OF STATE

APPLICATION FOR CERTIFICATE OF AUTHORITY

Pursuant to the provisions of Sections 47-5-7, the undersigned corporation hereby applies for a Certificate of Authority to transact business in the State of South Dakota and for that purpose submits the following statement:

(1) The name of the corporation is INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.

(Exact corporate name)

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

AUG 06 1998

S.D. SEC. OF STATE

(3) State where incorporated DELAWARE Federal Taxpayer ID# 94-3292374

(4) The date of its incorporation is 6-27-87 and the period of its duration, which may be perpetual, is PERPETUAL

(5) The address of its principal office in the state or country under the laws of which it is incorporated is

1288 ORANGE STREET, WILMINGTON DE Zip Code 19891

Mailing address if different from above is: _____

Zip Code _____

(6) The street address, or a statement that there is no street address, of its proposed registered office in the State of South Dakota is 919 MAIN STREET, P.O. BOX 277 RAPID CITY SD Zip 57701

and the name of its proposed registered agent in the State of South Dakota at that address is

HQ CORPORATE SERVICES, INC.

(7) The purposes which it proposes to pursue in the transaction of business in the State of South Dakota are: (state specific purpose) TO CONDUCT RETAIL TELECOMMUNICATIONS SERVICES

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

Name	Officer Title	Street Address	City	State	Zip
<u>SEE ATTACHED</u>	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

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

Number of shares	Class	Series	Par value per share or statement that shares are without par value
<u>1,000</u>	<u>COMMON</u>	<u>---</u>	<u>0.01</u>
_____	_____	_____	_____

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

Number of shares	Class	Series	Par value per share or statement that shares are without per value
1,000	COMMON	---	0.01

(11) The amount of its stated capital is \$ 10.00

Shares issued times per value equals stated capital. In the case of no per value stock, stated capital is the consideration received for the issued shares.

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

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

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

The application must be signed, in the presence of a notary public, by the chairman of the board of directors, or by the president or by another officer.

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

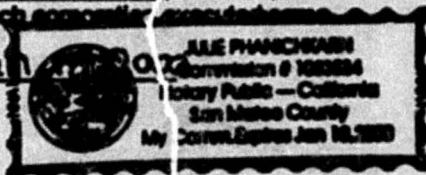
Dated 7-22 19 98

State of CALIFORNIA
County of SAN MATEO

Gail Granton
(Signature)
GAIL GRANTON VICE
HOWARD KICHOWITZ PRESIDENT
(Title)

On this 22nd day of July, 19 98, before me Julie Phanichkarn
personally appeared GAIL GRANTON known to me, or proved to me, to be the
VICE PRESIDENT of the corporation that is described in and that executed the within instrument
and acknowledged to me that such corporation executed same.

My Commission Expires: Jan 15, 2000



Julie Phanichkarn
(Notary Public)

Notarial Seal

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

CONSENT OF APPOINTMENT BY THE REGISTERED AGENT

I, ISQ CORPORATE SERVICES, INC., hereby give my consent to serve as the
(name of registered agent)
registered agent for INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.
(corporate name)

Date 7-30 19 98

BY: Richard J. M... ..
(signature of registered agent)

Secretary of State

State Capitol, Ste 204
500 East Capitol Avenue
Pierre, South Dakota
57501-5070
sdsos@sos.state.sd.us



JOYCE HAZELTINE
Secretary of State

TOM LECKEY
Deputy

FROM: Joyce Hazeltine, Secretary of State
Corporations

RE: FOREIGN CORPORATION

The application for certificate of authority has been received and filed on behalf of the name enclosed.

Enclosed is the Certificate attached to the duplicate application along with a receipt for the filing fee.

SDCL: 47-9-3 requires the filing of a corporate annual report with our office between the anniversary date of qualification and prior to the first day of the second month following. The report is due the year following qualification. An annual report form will be mailed to the corporate address listed in number five on the application for timely filing. Please contact our office if the corporate address changes or if the form is not received.

Thank you.

<http://www.state.sd.us/state/executive/sos/sos.htm>

Administration
(605) 773-3537
Fax (605) 773-6580
TDD (605) 773-5010

Corporations
(605) 773-4845
Fax (605) 773-4550

Uniform Commercial Code
(605) 773-4432
Fax (605) 773-4550

Certificate as to Use in a Business of a Trade, Assumed, or Fictitious Name

The undersigned hereby certifies that _____ will engage in, conduct, or operate a business for profit in the State of South Dakota under the trade, assumed, or fictitious name of _____

_____ I E COM _____; that the name, post office address, and residence address of each person owning or having interest in said business are as follows:

Name	Post Office Address	Residence Address
INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.	533 AIRPORT BLVD, SUITE 505, BURLINGAME CA 94010	

That the address where the main office of such business is to be maintained is _____
533 AIRPORT BLVD, SUITE 505, BURLINGAME CA 94010

INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.

BY: Gail Granton
GAIL GRANTON VICE
THOMAS SCHROEDER, PRESIDENT

copy of filing

100-7530.0 Page 001 of 001
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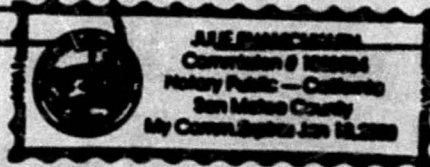
STATE OF California
County of San Mateo
Gail Granton

being first duly sworn, each for himself says that he has read the foregoing certificate and knows the contents thereof and that the same is true.

Subscribed and sworn to before me

on 22nd day of July, 1998

[Signature]



TOTAL P.01

EXHIBIT 2

Management Qualifications

INTERNATIONAL EXCHANGE COMMUNICATIONS, INC. d/b/a IE COM
and
PACIFIC GATEWAY EXCHANGE, INC.

Key Members of Management

Mr. Howard A. Neckowitz has served as President and Director of International Exchange Communications, Inc. d/b/a IE Com ("IE Com") since its inception in June 1997. He has also served as President, Chief Executive Officer and Chairman of the Board of Pacific Gateway Exchange ("PGE") since its inception in August 1991. Mr. Neckowitz previously served as a consultant to major U.S. and overseas telecommunications companies with respect to valuation and due diligence processes for the acquisition of ongoing foreign telecommunications operations and the start up of competitive carrier operations for international, long distance, local and cellular operations in various countries. Prior to his consulting experience, Mr. Neckowitz served from 1982 to 1986 as Director, International Services, at GTE Sprint, where he founded and developed GTE Sprint's international services operation. In this position, he was responsible for feasibility analyses supporting GTE Sprint's entrance into the international switched service market. From 1977 to 1982, Mr. Neckowitz worked at AT&T in its Overseas Department. Mr. Neckowitz serves as Chairman of the Board of Matrix Telecom, Inc., and as a director of Cam-Net Telecommunications, Inc., a provider of domestic telecommunication services in Canada, both of which are customers of PGE.

Ms. Gail E. Granton has served as Vice-President, Secretary, Treasurer and Director of IE Com since its inception in June 1997. Ms. Granton has also served as Executive Vice President, International Business Development, Secretary and a member of the Board of Directors of PGE since its inception in August 1991. From August 1991 to August 1996, she served as Chief Financial Officer of the Company. From 1986 to August 1991, Ms. Granton served as a consultant to major U.S. and overseas telecommunications companies, focusing on the valuation and due diligence process for the acquisition of ongoing foreign telecommunication operations and the start-up of competitive carrier operations for international, long distance, local and cellular operations in various countries. From 1982 to 1986, Ms. Granton worked in the International Department of GTE Sprint, as a Manager, International Business Development, reporting to Mr. Neckowitz.

Ms. Sandra D. Grey has served as Chief Financial Officer of PGE since 1996. From 1989 to 1996, Ms. Grey worked for Telecom New Zealand, the primary provider of telecommunications services in New Zealand, where she was Chief Financial Officer of the International subsidiary. Ms. Grey has more than seven years experience in international telecommunications.

Mr. Ronald D. Anderson has served as Senior Vice President, Operations and Engineering of PGE since December 1992. From 1986 to 1992, Mr. Anderson served in a similar position with TRT International, Inc., an international telecommunications carrier that has since been acquired by WorldCom. Mr. Anderson has more than 15 years of experience in domestic and international telecommunications engineering and operations, with significant experience in international signaling and transmission for cable and satellite, PTT technical interface, and bilateral technical negotiations.

Mr. Robert F. Craver has served as Senior Vice President, International Relations of PGE since February 1994. Prior to joining the Company, Mr. Craver worked at GTE Hawaiian Telephone Co., Inc. from 1987 to 1994. While at GTE Hawaiian Telephone, Mr. Craver directed that company's international program as Director of International Services. Mr. Craver has also held international positions at Sprint and AT&T, for a total of more than 20 years of experience in the international telecommunications industry. Mr. Craver has extensive experience in international negotiations with foreign partners and has served as an officer of the Pacific Telecommunications Council.

Mr. Fred A. Weismiller joined the Company in November 1994 as Executive Vice President, International Marketing. Mr. Weismiller's responsibilities include developing the value-added long distance services which can be sold to U.S. carriers and to carriers in developing overseas markets. From 1991 to 1994, Mr. Weismiller served as Managing Director and Executive Director, Sales and Marketing at Telecom New Zealand. Mr. Weismiller has 25 years of experience in international and domestic telecommunications management, including 20 years with AT&T, where his final assignment was in Hong Kong as the Managing Director of the AT&T Regional Technical Center from 1989 to 1990.

Mr. William R. Haner has served as Vice President, International Sales, of PGE since January 1995. From 1993 to 1994, Mr. Haner served in a similar position with IDB Communications Group, Inc., an international telecommunications company which has since been acquired by WorldCom. From 1985 to 1993, Mr. Haner was a Director of Sales for TRT International, Inc., where he was responsible for international data services and implementing enhanced facsimile services. Mr. Haner has more than 14 years of sales experience with long distance carriers and commercial customers.

Ms. Joyce R. Hewins joined PGE in December 1993 as Vice President, Carrier Marketing, to develop a U.S. carrier marketing program for the Company. Prior to joining the Company, Ms. Hewins was Director, Carrier Services, at West Coast Communications, where she was responsible for carrier marketing from 1992 to 1993. Ms. Hewins was also Director, Carrier Services at Com System, Inc., a domestic long distance telecommunications company, where she was responsible for developing the carrier marketing program from 1984 to 1992. Ms. Hewins has more than 11 years of experience in the telecommunications industry.

EXHIBIT 3

- **IE Com Financial Statements (submitted under seal)**
- **Financial Statements of Applicant's Parent, PGE**

CONFIDENTIAL 1

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

REPORT OF INDEPENDENT ACCOUNTANTS

February 19, 1999, except for Note 10, as to which the date is March 2, 1999

To the Board of Directors and Stockholders of Pacific Gateway Exchange, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, cash flows and changes in stockholders' equity present fairly, in all material respects, the financial position of Pacific Gateway Exchange, Inc. and subsidiaries as of December 31, 1998 and 1997 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule listed in Item 14(a) of the Form 10-K presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP

San Francisco, California

PACIFIC GATEWAY EXCHANGE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31.	
	1998	1997
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 30,041	\$ 43,850
Accounts receivable, net of allowance for doubtful accounts of \$4,312 in 1998 and \$2,230 in 1997 ..	87,725	62,313
Prepays	1,244	511
Income taxes recoverable	1,358	—
Deferred income tax	2,207	1,096
Other current assets	1,406	673
Total current assets	123,983	108,443
Property and Equipment:		
Undersea fiber optic cables	34,663	31,144
Long distance communications equipment	48,710	30,535
Computers and office equipment	9,352	6,343
Leasehold improvements	2,004	702
Construction in progress	13,587	966
Cable construction in progress	12,066	883
	120,382	70,573
Less accumulated depreciation	17,335	9,140
Total property and equipment, net	103,047	61,433
Deferred income tax	78	—
Deposits and other assets	8,529	1,741
Total assets	\$235,637	\$171,617
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$118,303	\$ 87,949
Accrued liabilities	4,193	3,733
Income taxes payable	—	1,491
Line of credit	8,700	—
Current portion of capitalized lease obligations	436	216
Other liabilities	1,304	513
Total current liabilities	132,936	93,902
Long-term portion of capitalized lease obligations	99	185
Deferred income tax	1,963	957
Total liabilities	134,998	95,044
Commitments and contingencies (Note 5).		
Stockholders' Equity:		
Preferred stock, \$.0001 per value, authorized 5,000,000 shares, no shares issued	—	—
Common stock, \$.0001 per value, authorized 70,000,000, issued 19,363,777, outstanding 19,220,217 shares in 1998; and issued 19,216,710, outstanding 19,073,150 shares in 1997	2	2
Additional paid in capital	65,431	60,849
Deferred compensation—restricted stock	(4,618)	(4,134)
Foreign currency translation	34	2
Retained earnings	40,190	20,254
Cost of common stock held in treasury, 143,560 shares in 1998 and 1997	(400)	(400)
Total stockholders' equity	100,639	76,573
Total liabilities and stockholders' equity	\$235,637	\$171,617

See accompanying Notes to Consolidated Financial Statements.

PACIFIC GATEWAY EXCHANGE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year Ended December 31,		
	1998	1997	1996
Revenues	\$466,291	\$298,609	\$141,912
Revenues—related party	—	—	20,514
Total revenues	466,291	298,609	162,426
Cost of long distance services	35,640	254,076	140,340
Gross margin	72,651	44,533	22,086
Selling, general and administrative expenses	36,791	21,416	11,113
Depreciation and amortization	8,713	5,417	2,044
Total operating expenses	45,504	26,833	13,157
Operating income	27,147	17,700	8,929
Interest income	(2,292)	(2,009)	(885)
Other (income) expense, net	(1,132)	(126)	129
Income before income taxes	30,571	19,835	9,685
Provision for income taxes	10,635	7,338	3,877
Net income	<u>\$ 19,936</u>	<u>\$ 12,497</u>	<u>\$ 5,808</u>
Net income per share—basic	<u>\$ 1.05</u>	<u>\$ 0.66</u>	<u>\$ 0.36</u>
Net income per share—diluted	<u>\$ 0.97</u>	<u>\$ 0.64</u>	<u>\$ 0.34</u>
Weighted average number of common shares outstanding—basic	<u>19,071</u>	<u>18,960</u>	<u>16,234</u>
Weighted average number of common shares outstanding—diluted	<u>20,495</u>	<u>19,497</u>	<u>16,872</u>

See accompanying Notes to Consolidated Financial Statements.

PACIFIC GATEWAY EXCHANGE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31.		
	1998	1997	1996
Operating Activities:			
Net income	\$ 19,936	\$ 12,497	\$ 5,808
Adjustments to net income:			
Depreciation and amortization	8,713	5,417	2,044
Loss on sale of stock	—	—	129
Stock compensation expense	674	146	85
Bad debt provision	2,146	2,173	855
Equity in earnings of affiliated companies	(1,499)	—	—
Changes in operating assets and liabilities:			
Accounts receivable	(27,558)	(38,681)	(13,421)
Accounts receivable, related party	—	3,066	196
Notes and advances receivable	—	—	175
Prepaid expenses	(733)	306	(729)
Deferred tax asset	(1,189)	88	(816)
Deposits and other assets	(1,830)	(1,430)	(107)
Accounts payable	30,322	48,309	17,053
Accrued liabilities	460	2,429	532
Federal income taxes recoverable	(834)	—	—
Federal income taxes payable	(1,491)	(462)	1,758
Other liabilities	791	150	(152)
Deferred tax liability	1,006	249	488
Net cash provided by operating activities	28,914	34,257	13,898
Investing Activities:			
Purchase of property and equipment	(49,611)	(36,725)	(18,669)
Investment in subsidiaries and affiliates	(3,314)	222	—
Other investing activities	—	—	274
Net cash used in investing activities	(52,925)	(36,503)	(18,395)
Financing Activities:			
Borrowings on revolving lines of credit	8,700	—	6,200
Repayments on revolving lines of credit	—	—	(11,620)
Repayments on capital lease obligations	(498)	(209)	—
Proceeds from issuance of common stock	1,157	742	55,130
Payment of issuance costs	(57)	—	(1,042)
Payment to acquire treasury stock	—	—	(400)
Dividends received from affiliated company	900	—	—
Net cash provided by financing activities	10,202	533	48,268
Net (decrease) increase in cash and cash equivalents	(13,809)	(1,713)	43,771
Cash and cash equivalents at beginning of the period	43,850	45,563	1,792
Cash and cash equivalents at end of the period	\$ 30,041	\$ 43,850	\$ 45,563
Supplementary Information:			
Interest paid during period	\$ —	\$ —	\$ 276
Income taxes paid during period	\$ 12,067	\$ 7,841	\$ 2,447

See accompanying Notes to Consolidated Financial Statements.

PACIFIC GATEWAY EXCHANGE, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Additional Paid-in Capital	Deferred Compensation— Restricted Stock	Foreign Currency Translation	Retained Earnings	Treasury Stock		Total
	Shares	Amount					Shares	Amount	
Balance December 31, 1995	14,100	\$ 1	\$ 941	\$ —	\$ —	\$ 1,949	—	\$ —	\$ 2,891
Repurchase of common stock	—	—	—	—	—	—	(144)	(400)	(400)
Issuance of common stock, net of \$1.042 issuance costs	4,940	1	54,087	—	—	—	—	—	54,088
Stock compensation expense	—	—	85	—	—	—	—	—	85
Net income	—	—	—	—	—	5,808	—	—	5,808
Balance December 31, 1996	19,040	2	55,113	—	—	7,757	(144)	(400)	62,472
Stock options exercised	102	—	742	—	—	—	—	—	742
Stock compensation expense	—	—	146	—	—	—	—	—	146
Tax effect of stock options exercised	—	—	714	—	—	—	—	—	714
Issuance of restricted stock	75	—	4,134	(4,134)	—	—	—	—	—
Foreign currency translation	—	—	—	—	2	—	—	—	2
Net income	—	—	—	—	—	12,497	—	—	12,497
Balance December 31, 1997	19,217	2	60,849	(4,134)	2	20,254	(144)	(400)	76,573
Stock options exercised	89	—	1,100	—	—	—	—	—	1,100
Stock compensation expense	—	—	194	480	—	—	—	—	674
Tax effect of stock options exercised	—	—	524	—	—	—	—	—	524
Issuance of restricted stock	25	—	964	(964)	—	—	—	—	—
Issuance of common stock, for investment in company	33	—	1,800	—	—	—	—	—	1,800
Foreign currency translation	—	—	—	—	32	—	—	—	32
Net income	—	—	—	—	—	19,936	—	—	19,936
Balance December 31, 1998	<u>19,364</u>	<u>\$ 2</u>	<u>\$65,431</u>	<u>\$ (4,618)</u>	<u>\$ 34</u>	<u>\$40,190</u>	<u>(144)</u>	<u>\$ (400)</u>	<u>\$100,639</u>

See accompanying Notes to Consolidated Financial Statements.

PACIFIC GATEWAY EXCHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) The Company and Significant Accounting Policies

Description of Business and Organization:

Pacific Gateway Exchange, Inc. ("Pacific Gateway" or the "Company"), a Delaware corporation, owns and operates an international switched and domestic switched telecommunications network. The operations of Pacific Gateway have grown significantly as the result of entering into additional operating agreements with foreign partners and marketing to certain long distance companies in the United States which do not have their own international network. In addition, the Company provides international long distance services to certain ethnic retail markets, principally the Filipino-American and Japanese-American communities.

The Company is subject to various risks in connection with the operation of its business. These risks include, but are not limited to, changes in government regulation, dependency on transmission facilities-based carriers and suppliers, price competition and competition from larger industry participants.

Principles of Consolidation:

Consolidated Financial Statements include the accounts of Pacific Gateway and majority-owned and controlled subsidiaries principally in Bermuda, the United Kingdom, Russia, New Zealand, Australia, Japan and Cyprus. Investments in 20% to 50%-owned companies and partnerships are accounted for on the equity method. Intercompany transactions have been eliminated.

Foreign Currency Translation:

Assets and liabilities of operations outside the United States, for which the functional currency is not U.S. dollars, are translated into U.S. dollars using the exchange rate in effect at each period end. Revenues and expenses are translated at the average exchange rate prevailing during the period. The effects of foreign currency translation adjustments arising from differences in exchange rates from period to period are deferred and included as a component of "Stockholders' Equity".

For operations in highly-inflationary economies, principally in Russia, assets and liabilities are maintained in the reporting currency, U.S. dollars.

The effects of foreign currency transactions, and of remeasuring the financial position and results of operations in the functional currency, are included in "Selling, general and administrative expenses."

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

Cash and Cash Equivalents:

Cash equivalents consist primarily of money market accounts and called bonds with original maturities of three months or less. The carrying amounts reported in the accompanying balance sheets approximate fair market value.

Property and Equipment:

Property and equipment are stated at cost. Maintenance and repairs are expensed as incurred. Replacements and betterments are capitalized. Costs incurred in connection with the construction of new property and

PACIFIC GATEWAY EXCHANGE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

equipment are capitalized until the property and equipment becomes operational. The cost and related accumulated depreciation of assets sold or retired are removed from the account balance, and any resulting gain or loss is reflected in results of operations. Depreciation is provided for financial reporting purposes using the straight-line method over the following estimated useful lives:

Undersea fiber optic cables.....	20 years
Long distance communications equipment.....	5-7 years
Computers and office equipment.....	4-7 years
Leasehold improvements.....	term of lease

The Company invests in undersea fiber optic cable systems through the purchase of indefeasible rights of user ("IRU's") or through an ownership interest in cable construction consortia.

Long-Lived Assets:

Statement of Financial Accounting Standards ("SFAS") No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of*, requires that long-lived assets and certain intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If undiscounted expected future cash flows are less than the carrying value of the assets, an impairment loss is to be recognized based on the fair value of the assets. No impairment losses have been recognized to date.

Income Taxes:

The Company accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*. SFAS No. 109 has as its basic objective the recognition of current and deferred income tax assets and liabilities based upon all events that have been recognized in the financial statements as measured by the provisions of the enacted tax laws.

Valuation allowances are established when necessary to reduce deferred tax assets to the estimated amount to be realized. Income tax expense represents the tax payable for the current period and the change during the period in the deferred tax assets and liabilities.

Revenue Recognition:

Revenues for telecommunications services provided to customers are recognized as services are rendered. Revenues for return traffic received according to the terms of the Company's operating agreements with its foreign partners are recognized as revenue as the return traffic is received.

Accounting for International Long Distance Traffic:

The Company has entered into operating agreements with 44 telecommunications carriers in 28 countries under which international long distance traffic is both delivered and received. Under these agreements, the foreign carriers are contractually obligated to adhere to the policy of the Federal Communications Commission (the "FCC"), whereby traffic from the foreign country is routed to international carriers, such as the Company, in the same proportion as traffic carried into the country. Mutually exchanged traffic between the Company and foreign carriers is settled through a formal settlement policy that generally extends over a six-month period at an agreed upon rate. The Company records the amount due to the foreign partner as an expense in the period the traffic is delivered. Of the 44 agreements the Company had as December 31, 1998, 18 agreements provided that the Company generally must wait up to six months before it actually receives the proportional return traffic. In circumstances where the Company does not receive the return traffic due from the foreign partner at the end of

PACIFIC GATEWAY EXCHANGE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

the agreed-upon delayed return period, the Company and the foreign partner may agree to a settlement which compensates the Company for the return traffic not received, through greater return traffic in future periods, or a reduction to the Company's current accounts payable balance.

Fair Value of Financial Instruments:

The fair value of financial instruments, consisting of investments in cash, cash equivalents, receivables, accounts payable and a line of credit, is based on interest rates available to the Company and comparisons to quoted prices. At December 31, 1998 and 1997, the fair value of these financial instruments approximates carrying value.

Concentration of Credit Risk:

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents and accounts receivable. At December 31, 1998 and 1997, the Company had bank deposits in excess of federally insured limits of \$22,891,000 and \$43,650,000, respectively. The Company's customer base includes domestic and international companies in the telecommunications industry. The Company performs ongoing credit evaluations of its customers but generally does not require collateral to support customer receivables. The Company's allowance for doubtful accounts is based on current market conditions. Losses on uncollectible accounts have consistently been within management's expectations.

Earnings Per Share:

The Company adopted SFAS No. 128, Earnings Per Share, effective December 31, 1997. In accordance with SFAS No. 128, basic earnings per share is calculated by dividing net income by the weighted-average number of shares outstanding for the period. Diluted earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the period plus the dilutive effect of stock options determined using the treasury stock method.

There were no adjustments to net income in the calculation of basic and diluted earnings per share for the years ended December 31, 1998, 1997 and 1996, respectively. The reconciliation of the weighted average shares outstanding used in calculating basic and diluted earnings per share is as follows:

	Income (Numerator) (in thousands, except per share amounts)	Shares (Denominator) (in thousands, except per share amounts)	Per-Share Amount
1998			
Basic EPS:			
Income available to common stockholders	\$19,936	19,071	\$1.05
Effect of dilutive stock options		1,424	
Diluted EPS	<u>\$19,936</u>	<u>20,495</u>	<u>\$0.97</u>
1997			
Basic EPS:			
Income available to common stockholders	\$12,497	18,960	\$0.66
Effect of dilutive stock options		537	
Diluted EPS	<u>\$12,497</u>	<u>19,497</u>	<u>\$0.64</u>
1996			
Basic EPS:			
Income available to common stockholders	\$ 5,808	16,234	\$0.36
Effect of dilutive stock options		638	
Diluted EPS	<u>\$ 5,808</u>	<u>16,872</u>	<u>\$0.34</u>

PACIFIC GATEWAY EXCHANGE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Comprehensive Income:

In June 1997, the FASB issued SFAS No. 130, *Reporting Comprehensive Income*. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a financial statement that is displayed with the same prominence as other financial statements. Comprehensive income includes all changes in equity (net assets) during a period from non-owner sources. This includes net income and other comprehensive income. Examples of items to be included in other comprehensive income, which are excluded from net income, include foreign currency translation adjustments. The Company adopted SFAS No. 130 for the year ended December 31, 1998. Total other comprehensive income consisted of foreign currency translation gains, which were not material for all years presented.

Financial Statement Classifications:

Certain prior-year amounts have been reclassified to conform to the 1998 financial statement presentation. Such reclassifications have no effect on net income as previously reported.

(2) Income Taxes

The provision for income taxes is comprised of the following:

	Year Ended December 31,		
	1998	1997	1996
	(in thousands)		
Current tax expense:			
Federal.....	\$ 7,318	\$5,737	\$3,364
State and local.....	1,664	986	841
Foreign.....	1,835	279	—
Total current.....	<u>\$10,817</u>	<u>\$7,002</u>	<u>\$4,205</u>
Deferred tax expense:			
Federal.....	\$ (242)	\$ 265	\$ (262)
State and local.....	(146)	71	(66)
Foreign.....	206	—	—
Total deferred.....	<u>\$ (182)</u>	<u>\$ 336</u>	<u>\$ (328)</u>
Total provision.....	<u><u>\$10,635</u></u>	<u><u>\$7,338</u></u>	<u><u>\$3,877</u></u>

Undistributed earnings intended to be reinvested indefinitely in operations outside the United States were approximately \$15,349,000.

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rates as follows:

	Year Ended December 31,		
	1998	1997	1996
Expected statutory amount.....	35.0 %	35.0 %	34.0 %
State income taxes, net of federal benefit.....	3.2 %	3.8 %	5.3 %
Tax exempt interest.....	— %	(0.5) %	(0.4) %
Undistributed earnings of certain subsidiaries.....	(5.0) %	(2.5) %	— %
Other.....	1.6 %	1.2 %	1.1 %
	<u>34.8 %</u>	<u>37.0 %</u>	<u>40.0 %</u>

PACIFIC GATEWAY EXCHANGE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes and the impact of available net operating loss carryforwards.

The tax effects of significant temporary differences, which comprise the deferred tax assets and liabilities, are as follows:

	December 31,	
	1998	1997
	(in thousands)	
Deferred tax assets:		
Allowance for doubtful accounts	\$1,483	\$ 697
State taxes	581	316
Accrued compensation	139	83
Other	276	—
Total gross deferred tax assets	<u>\$2,479</u>	<u>\$1,096</u>
Deferred liabilities:		
Depreciation	\$2,029	\$ 870
Other	128	87
Total gross deferred tax liabilities	<u>\$2,157</u>	<u>\$ 957</u>
Net deferred tax assets	<u>\$ 322</u>	<u>\$ 139</u>

(3) Acquisitions and Investments

In 1997, the Company acquired a controlling interest in Rustelnet, a provider of enhanced telecommunications services to the Russian market. The acquisition was accounted for by the purchase method, and accordingly, the results of operations of the acquired business have been included in the accompanying consolidated financial statements from the date of acquisition. The price was \$36,000 with Rustelnet having cash balances of \$257,000 at the time. The fair value of net liabilities acquired in the acquisition was \$158,000. The excess of purchase price over the estimated fair market value of \$627,000 has been allocated to goodwill. Goodwill is being amortized on a straight-line basis over a 10-year period. In connection with the acquisition of Rustelnet, the Company purchased Rustelnet shares from individual shareholders who are members of Pacific Gateway's management. A total of 690 Rustelnet shares were sold by management to the Company for \$13,000.

In 1997, the Company and Globe Telecom, a company operating in the Philippines, formed a joint venture, PinTouch Telecom, to market long distance services to the Filipino-American community. In accordance with the joint venture agreement, the Company receives 47.5% of PinTouch's net earnings, for which the Company has recognized equity in earnings of \$1,665,000 and \$131,000 for the years ended December 31, 1998 and 1997, respectively.

In February 1998, the Company purchased 16.6% of the common stock of Ekonom S.A. de C.V., a Mexican multimedia company, for \$3,300,000 in cash and \$1,800,000 in the Company's common stock. The Company's investment in Ekonom is accounted for under the cost method.

(4) Segment Data

The Company adopted SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information effective January 1, 1998. SFAS No. 131 requires the disclosure of a Company's operating segments, which is defined as a segment whose operating results are distinguishable and regularly reviewed by the Company's decision makers.

PACIFIC GATEWAY EXCHANGE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Prior to the adoption of SFAS No. 131, the Company classified all operations under one segment, Telecommunications. By utilizing a combination of factors, principally services provided and geographic areas, the Company has identified three operating segments: U.S. wholesale, offshore and value-added services. The operating results of these segments are regularly reviewed by the Company's management and are integral to their decision-making process.

U.S. wholesale provides international telecommunications services to its target base of U.S.-based carriers that originate international traffic but do not have operating agreements with foreign carriers to terminate the traffic. U.S. wholesale also provides service to customers who are existing international carriers, terminating their overflow telecommunications traffic or on routes with smaller traffic volumes.

The offshore segment consists primarily of the operating subsidiaries in the UK, New Zealand, Russia and Japan. The Company has established telecommunications switching facilities in each location and provides services similar to U.S. wholesale to its country-specific customers.

The Company's third segment includes a variety of emerging and value-added services. Presently, this operating segment primarily provides international long distance services to certain ethnic retail markets, principally the Filipino-American and Japanese-American communities.

The results of operations for the Company's operating segments for each of the three years ended December 31, 1998 are as follows:

	U.S. Wholesale	Offshore	Value- Added	Total Operating Segments
	(in thousands)			
1998				
Sales to unaffiliated customers	\$ 390,619	\$ 55,714	\$ 19,958	\$ 466,291
Sales and transfers between segments	36,405	19,879	—	56,284
Total sales	\$ 427,024	\$ 75,593	\$ 19,958	\$ 522,575
Depreciation and amortization	\$ 7,031	\$ 1,682	\$ —	\$ 8,713
Operating income	\$ 16,730	\$ 6,677	\$ 3,740	\$ 27,147
Total assets	\$ 151,491	\$ 34,831	\$ 5,857	\$ 192,179
1997				
Sales to unaffiliated customers	\$ 279,750	\$ 17,739	\$ 1,120	\$ 298,609
Sales and transfers between segments	13,186	12,005	—	25,191
Total sales	\$ 292,936	\$ 29,744	\$ 1,120	\$ 323,800
Depreciation and amortization	\$ 4,632	\$ 785	\$ —	\$ 5,417
Operating income	\$ 16,398	\$ 1,219	\$ 83	\$ 17,700
Total assets	\$ 105,057	\$ 18,542	\$ 1,071	\$ 124,670
1996				
Sales to unaffiliated customers	\$ 162,426	\$ —	\$ —	\$ 162,426
Depreciation and amortization	\$ 2,044	\$ —	\$ —	\$ 2,044
Operating income	\$ 8,929	\$ —	\$ —	\$ 8,929
Total assets	\$ 55,847	\$ —	\$ —	\$ 55,847

PACIFIC GATEWAY EXCHANGE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The reconciliations from the Company's operating segments to the consolidated totals on the Company's balance sheets and statements of operations for each of the three years ended December 31, 1998 are as follows:

1998		(in thousands)
Total sales for operating segments		\$ 522,575
Elimination of sales between segments		(56,284)
Total consolidated sales		<u>\$ 466,291</u>
Total assets for operating segments		\$ 192,179
Assets not allocated to operating segments		43,458
Total consolidated assets		<u>\$ 235,637</u>
1997		
Total sales for operating segments		\$ 323,800
Elimination of sales between segments		(25,191)
Total consolidated sales		<u>\$ 298,609</u>
Total assets for operating segments		\$ 124,670
Assets not allocated to operating segments		46,947
Total consolidated assets		<u>\$ 171,617</u>
1996		
Total sales for operating segments		\$ 162,426
Elimination of sales between segments		—
Total consolidated sales		<u>\$ 162,426</u>
Total assets for operating segments		\$ 55,847
Assets not allocated to operating segments		47,969
Total consolidated assets		<u>\$ 103,816</u>

The Company sells to long distance international telecommunications companies, foreign partners and to retail customers. At December 31, 1998, the Company had 44 operating agreements with foreign partners and approximately 163 worldwide customers excluding U.S. retail customers. Total revenues from external customers including U.S. retail customers by country for each of the three years ended December 31, 1998 were as follows:

	Year Ended December 31,		
	1998	1997	1996
	(in thousands)		
United States	\$334,746	\$216,286	\$116,735
United Kingdom	51,378	21,625	4,245
Russia	11,877	6,733	5,630
Australia	10,988	6,377	8,771
New Zealand	7,681	2,222	1,767
Japan	5,369	4,678	5,518
Other	44,252	40,688	19,760
Total revenues	<u>\$466,291</u>	<u>\$298,609</u>	<u>\$162,426</u>

PACIFIC GATEWAY EXCHANGE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Revenues are attributed to countries based on the location of customer. Other includes revenues from customers located in countries that individually represented less than 2% of total revenues.

For the year ended December 31, 1998, there were no major customers that comprised ten percent or more of the Company's revenues. For the year ended December 31, 1997, 10.4% of the Company's revenues were derived from Frontier Communications, Inc. of \$30,996,000. Matrix Telecom, Inc. derived 12.6% of the Company's revenues for the year ended December 31, 1996 with revenues of \$20,514,000.

(5) Commitments and Contingencies

Litigation

The Company is not currently subject to any legal proceedings that management believes will have a material impact on the Company's financial position or results of operations.

Leases

The Company leases office space and equipment under noncancelable operating leases. Rental expenses for 1998, 1997 and 1996 were approximately \$1,274,000, \$965,000 and \$255,000, respectively. The Company leases certain computer equipment under an agreement that is classified as a capital lease. The lease has a term of three years with a minimum purchase price at the end of the lease. Leased capital assets included in property and equipment at December 31, 1998 were \$1,241,000.

Future minimum lease payments under noncancelable operating and capital leases as of December 31, 1998 are as follows:

	Operating leases	Capital leases
	(in thousands)	
1999.....	\$ 812	\$436
2000.....	742	112
2001.....	702	—
2002.....	672	—
2003.....	582	—
Thereafter.....	1,355	—
Total minimum lease payments.....	<u>\$4,865</u>	<u>\$548</u>
Amount representing interest.....		<u>13</u>
Present value of net minimum payments.....		<u>\$535</u>
Current portion.....		<u>\$436</u>

Employment Agreements

The Company has entered into employment agreements with certain employees that provide that, in the event of a change in control, each of these employees would be entitled to severance following their resignation from the Company. Should such an event occur, the Company's aggregate obligation for severance would be approximately \$4,764,000. Upon any such change in control, each of these individuals would also receive full vesting of any outstanding stock options.

PACIFIC GATEWAY EXCHANGE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Commitments

At December 31, 1998, the Company had outstanding commitments of \$159 million for the acquisition of additional ownership in digital undersea fiber optic cables and network equipment. This includes the commitment to purchase undersea fiber optic cable in the Japan-U.S. cable network for \$86 million and in TAT-14 cable system for \$70 million.

Line of Credit

During October 1998, the Company entered into an uncollateralized 1-year revolving line of credit of up to \$30 million with an interest rate of LIBOR plus 1.125% with Bank of America, NT&SA and NationsBank Montgomery LLC. As of December 31, 1998, the Company had \$8.7 million outstanding and \$21.3 million available under this line of credit with an interest rate of 7.75%. The line of credit, which expires December 17, 1999, has financial covenants, which require a maximum ratio of debt to annualized operating cash flow of 3 to 1 and a minimum interest coverage ratio (ratio of operating cash flow to net interest expense) of 2.5 to 1. The Company was in compliance with these covenants at December 31, 1998.

(6) Employee Benefit Plans

In September 1995, the Company established an Employee Stock Purchase Plan (the "Purchase Plan") which is intended to qualify under section 423 of the Internal Revenue Code. The Purchase Plan was not active for the years ended December 31, 1998, 1997 or 1996. Under the Purchase Plan, the Company reserved up to 400,000 shares of common stock for purchase by employees who meet certain eligibility requirements. Eligible employees may contribute up to 10% of their compensation to the Purchase Plan to purchase shares at 85% of the fair market value of the stock on the first or last day of each six-month offering period as defined in the Purchase Plan.

In 1996, the Company adopted a 401(k) plan pursuant to which eligible employees may accumulate savings on a tax-deferred basis. Each year the Company may make a discretionary profit sharing contribution to the 401(k) plan which will be allocated to the accounts of eligible employees who are employed on the last day of the year. The profit sharing allocation is made on a pro rata basis in proportion to the compensation of the eligible employees. The Company did not make a contribution in 1998, 1997 or 1996.

(7) Stock Option Plan

On September 30, 1995, the Company adopted the 1995 Stock Option Plan (the "1995 Plan"). The 1995 Plan provides for the granting of nonqualified and incentive stock options to purchase up to 1,200,000 shares of common stock. Options granted under the 1995 Plan generally vest over four years. The maximum term of options granted is ten years. The Company granted options to purchase 883,411 shares of common stock under the 1995 Plan.

On February 17, 1997, the Company adopted the 1997 Long-Term Incentive Plan (the "1997 Plan"), replacing the 1995 Plan. The 1997 Plan provides for the granting of awards of nonqualified and incentive stock options, stock appreciation rights, stock grants or stock-based performance units. Awards may be made under the 1997 Plan with respect to 4,000,000 shares of common stock and with respect to stock option and stock appreciation right awards, no more than 500,000 shares may be awarded to any one individual in any one-year period. The remaining terms of the 1997 Plan are similar to those described in the 1995 Plan.

On September 18, 1998, the Company repriced 768,500 options to purchase the Company's common stock granted under the 1997 plan to \$27.688 per share, the fair market value of the Company's common stock on September 18, 1998.

PACIFIC GATEWAY EXCHANGE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

SFAS No. 123, *Accounting for Stock-Based Compensation*, encourages adoption of a fair value-based method for valuing the cost of stock-based compensation. However, it allows companies to continue to use the intrinsic value method prescribed under Accounting Principles Board Opinion ("APB") No. 25, *Accounting for Stock Options Issued to Employees*, for options granted to employees and disclose pro forma net income and earnings per share in accordance with SFAS No. 123. Had compensation cost for the Company's stock-based compensation plans been determined consistent with SFAS No. 123, the Company's net income and earnings per share would have been as follows:

	Year Ended December 31,		
	1998	1997	1996
	(in thousands, except per share amounts)		
Net income—as reported	\$19,936	\$12,497	\$3,806
Net income—pro forma	\$14,308	\$11,469	\$5,244
Earnings per share—basic as reported	\$ 1.05	\$ 0.66	\$ 0.36
Earnings per share—basic pro forma	\$ 0.75	\$ 0.60	\$ 0.32
Earnings per share—diluted as reported	\$ 0.97	\$ 0.64	\$ 0.34
Earnings per share—diluted pro forma	\$ 0.70	\$ 0.59	\$ 0.31

The fair value of the options granted by the Company is estimated at \$86.5 million on the date of the grant using the Black-Scholes Model for those options issued after the Company's initial public offering and the Minimum Value methodology for those options granted prior to the offering. The assumptions used in the Black-Scholes model are as follows:

	Year Ended December 31,		
	1998	1997	1996
Dividend yield	0.0%	0.0%	0.0%
Volatility	49.4%	40.9%	30.5%
Risk-free interest rate	4.5%	5.8%	6.7%
Assumed forfeiture rate	0.0%	0.0%	0.0%
Expected life	5 years	5 years	5 years

SFAS No. 123 requires that stock-based compensation granted to non-employees be accounted for based on the fair value-based method described above. It also requires that restricted stock granted to employees be recognized as compensation expense over the vesting period, measured at the fair market value on the grant date. In 1998 and 1997, the Company granted 25,000 and 75,000 shares, respectively, of restricted stock under the 1997 Plan. The Company recorded deferred compensation of approximately \$963,000 and \$4,134,000 for the years ended December 31, 1998 and 1997, respectively. This amount was recorded as a reduction of stockholders' equity and is being amortized as an expense to operations over the applicable vesting periods. For the years ended December 31, 1998, 1997 and 1996, \$674,000, \$146,000 and \$85,000, respectively, was recognized as compensation expense for restricted stock and stock options granted to non-employees.

PACIFIC GATEWAY EXCHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Stock Option Awards were:

	Year Ended December 31.					
	1998		1997		1996	
	Option Shares	Weighted-Average Exercise Price	Option Shares	Weighted-Average Exercise Price	Option Shares	Weighted-Average Exercise Price
Options outstanding, beginning of year	2,296,065	\$32.14	883,411	\$ 9.77	509,170	\$ 8.23
Options granted	2,608,800	32.50	1,610,000	41.60	374,241	12.58
Options exercised	(88,887)	13.02	(101,660)	7.30	—	—
Options forfeited/cancelled	(824,907)	39.12	(95,686)	11.08	—	—
Options outstanding, end of year	3,991,071	\$31.36	2,296,065	\$32.14	883,411	\$ 9.77
Option price range at end of year	\$ 8,500 to \$53.125		\$ 8,500 to \$50.188		\$ 4,400 to \$29,500	
Option shares available for grant at end of year	621,107		2,405,000		316,589	

The following table summarizes information concerning currently outstanding and exercisable options:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price	
\$ 8,500-\$14,000	566,146	0.98	\$ 9.21	411,120	\$ 9.08	
\$24,750-\$29,500	2,149,925	3.32	27.87	235,750	27.60	
\$38,500-\$53.125	1,275,000	3.38	47.08	186,250	46.54	
\$ 8,500-\$53.125	3,991,071	3.01	\$31.36	833,120	\$22.69	

(8) Capital Stock

On July 19, 1996, the Company completed an initial public offering of 6,057,050 shares of common stock of which 4,940,050 were offered by the Company and 1,116,550 shares were offered by certain selling shareholders. The net proceeds to the Company (after deducting underwriting discounts and estimated offering expenses) from the sale of the shares were approximately \$54.1 million.

(9) Stockholders' Rights Plan

On November 17, 1997, the Board of Directors of the Company declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of Common Stock. Subject to certain exceptions, each Right, when exercisable, entitles the registered holder to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value \$0.0001 per share (the "Preferred Stock"), of the Company at a price of \$200, subject to adjustment (the "Purchase Price").

The Rights generally will only be exercisable (i) ten days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired, or obtained the right to acquire, 15% or more of the outstanding shares of the Company's Common Stock or (ii) 15 business days following consummation of (or an announcement of an intention to make) a tender or exchange offer for 15% or more of the outstanding shares of the Common Stock. The Rights will expire, if not previously exercised, exchanged or redeemed, on December 1, 2007.

PACIFIC GATEWAY EXCHANGE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

If any person or group generally acquires 15% or more of the Company's outstanding Common Stock, each Right, except those held by such an Acquiring Person, would entitle each holder of a Right to acquire, upon exercise at the then current exercise price of the Right, Common Stock having a value equal to two times the exercise price of the Right.

At anytime after a person or group generally acquires more than 15% of the outstanding Common Stock and prior to their acquisition of 50% or more of the outstanding Common Stock, each Right, except those held by such an Acquiring Person, may be exchanged by the Board of Directors for one share of Common Stock.

If the Company is acquired in a merger or other business combination transaction or 50% or more of the Company's assets or earnings power is sold, each Right will entitle the holder thereof (except for the Acquiring Person) to receive, upon exercise at the then current exercise price of the Right, common stock of the acquiring or surviving company having a value equal to two times the exercise price of the Right.

At any time prior to the time an Acquiring Person becomes such, the Board of Directors may redeem the Rights in whole, but not in part, at a price of \$.01 per Right (the "Redemption Price").

(10) Subsequent Event

On March 2, 1999, the Company signed a commitment letter for a \$200 million senior secured credit facility with Salomon Brothers Holding Company, Inc. and Goldman Sachs Credit Partners L.P. The facility may be increased in the future of up to \$100 million if additional commitments are received from lenders. The completion of the financing is subject to the execution of definitive loan documents and customary conditions for this type of facility. The Company plans to use the facility to finance its undersea fiber optic cable investments and its expansion into the U.S. and Western Europe domestic markets.

EXHIBIT 4

Proposed Tariff

TITLE SHEET

RESALE TELECOMMUNICATIONS SERVICES

This tariff applies to the resold long distance interexchange telecommunications services furnished by International Exchange Communications, Inc. d/b/a IE Com ("IE Com," "Company" or "Carrier") between one or more points in the State of South Dakota. This tariff is on file with the South Dakota Public Utilities Commission, and copies may be inspected, during normal business hours, at Carrier's principal place of business, 500 Airport Blvd., Suite 340, Burlingame, California 94010.

Issued: June 17, 1999

Effective: October 15, 1999

By:

Gail E. Granton, Vice President
International Exchange Communications, Inc. d/b/a IE Com
500 Airport Blvd., Suite 340
Burlingame, California 94010

CHECK SHEET

The sheets of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this page.

<u>SHEET</u>	<u>REVISION</u>	<u>SHEET</u>	<u>REVISION</u>
1	Original	25	Original
2	Original	26	Original
3	Original	27	Original
4	Original	28	Original
5	Original	29	Original
6	Original	30	Original
7	Original	31	Original
8	Original		
9	Original		
10	Original		
11	Original		
12	Original		
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15	Original		
16	Original		
17	Original		
18	Original		
19	Original		
20	Original		
21	Original		
22	Original		
23	Original		
24	Original		

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TABLE OF CONTENTS

Check Sheet	1
Table of Contents	2
Symbols	3
Tariff Format	4
Section 1 - Technical Terms and Abbreviations	5
Section 2 - Rules and Regulations	7
Section 3 - Description of Rates and Services	19
Section 4 - Rates	29

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SYMBOLS

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

- D - Delete or Discontinue
- I - Change Resulting In An Increase to A Customer's Bill
- M - Moved From Another Tariff Location
- N - New
- R - Change Resulting In A Reduction to A Customer's Bill
- T - Change In Text or Regulation But No Change In Rate or Charge

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TARIFF FORMAT

- A. Sheet Numbering - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.
- B. Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the Commission. For example, the 4th Revised Sheet 14 cancels the 3rd Revised Sheet 14. Because of various suspension periods, deferrals, etc. the Commission follows in their tariff approval process, the most current sheet number on file with the Commission is not always the tariff page in effect.
- 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.(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 sheets contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on the check sheet if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some pages). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the Commission.

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SECTION 1. TECHNICAL TERMS AND ABBREVIATIONS

Access Line - An arrangement from a local exchange telephone company or other common carrier, using either dedicated or switched access, which connects a Subscriber's location to Carrier's location or switching center.

Authorization Code - A numerical code, one or more of which may be assigned to a Subscriber, to enable Carrier to identify the origin of service User so it may rate and bill the call. All authorization codes shall be the sole property of Carrier and no Subscriber shall have any property or other right or interest in the use of any particular authorization code. Automatic numbering identification (ANI) may be used as or in connection with the authorization code.

Automatic Numbering Identification (ANI) - A type of signaling provided by a local exchange telephone company which automatically identifies the local exchange line from which a call originates.

Calling Card - A postpaid or prepaid calling card issued by Carrier which allows Subscribers and/or Users to make telephone calls and charge the calls to a postpaid or prepaid account. Calls charged to a Carrier-issued postpaid Calling Card will appear on the Subscriber's regular monthly bill. Calls charged to a Carrier-issued prepaid Calling Card will be charged against the debit account.

Carrier or Company - Refers to International Exchange Communications, Inc. d/b/a IE Com

Commission - Refers to the South Dakota Public Utilities Commission.

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

Complaint - Any oral or written report from a Subscriber or user of telephone service relating to a physical defect, difficulty or dissatisfaction with the operation of telephone facilities, errors in billing or the quality of service rendered.

Day - From 8:00 AM up to but not including 5:00 PM local time Sunday through Friday.

Evening - From 5:00 PM up to but not including 11:00 local time Sunday through Friday.

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SECTION 1. TECHNICAL TERMS AND ABBREVIATIONS (Cont'd)

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

Local Access and Transport Area (LATA) - The term "Local Access Transport Area" denotes a geographical area established by the U.S. District Court for the District of Columbia in Civil Action No. 82-0192, within which a local exchange company provides communications services.

Measured Charge - A charge assessed on a per minute basis in calculating a portion of the charges due for a completed interexchange call.

Night/Weekend - From 11:00 PM up to but not including 8:00 AM Sunday through Friday, and 8:00 AM Saturday up to but not including 5:00 PM Sunday.

Subscriber/Customer - The person, firm, corporation or legal entity which enters into arrangements for Carrier's telecommunications services and is responsible for payment of Carrier's services.

Telecommunications - The transmission of voice communications or, subject to the transmission capabilities of the service, the transmission of data, facsimile, signaling, metering, or other similar communications.

User - The person(s) utilizing Carrier's services.

Working Day - Any day on which Carrier is open for business and U.S. Mail is delivered.

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SECTION 2. RULES AND REGULATIONS

2.1 Undertaking of the Carrier

IE Com's services and facilities are furnished for communications originating at specified points within the State of South Dakota under terms of this tariff.

IE Com installs operates, and maintains the communications services provided herein in accordance with the terms and conditions set forth under this tariff. It may act as the customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the customer, to allow connection of a customer's location to the Company's network. The customer shall be responsible for all charges due for such service arrangement.

IE Com's services and facilities are provided on a monthly basis unless ordered on a longer term basis, and are available twenty-four hours per day, seven days per week.

The selling of intrastate interexchange ("IXC") telecommunications service to uncertificated IXC resellers is prohibited.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.2 Limitations

- 2.2.1 Service is offered subject to the availability of facilities and provisions of this tariff.
- 2.2.2 The Company reserves the right to discontinue furnishing service, or limit the use of service necessitated by conditions beyond its control: or when the customer is using service in violation of the law or the provisions of the tariff.
- 2.2.3 All facilities provided under this tariff are directly controlled by the Company and the customer may not transfer or assign the use of service or facilities, except with the express written consent of the Company. Such transfer or assignment shall only apply where there is no interruption of the use or location of the service or facilities.
- 2.2.4 Prior written permission from the Company is required before any assignment or transfer. All regulations and conditions contained in this tariff shall apply to all such permitted assignees or transferees, as well as all conditions for service.
- 2.2.5 Customers reselling or rebilling services must have a Certificate of Public Convenience and Necessity as an interexchange carrier from the South Dakota Public Utilities Commission.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.3 Liability of Carrier

- 2.3.1 Except as otherwise stated in this section, the liability of Carrier for damages arising out of either: (1) the furnishing of its services, including but not limited to mistakes, omissions, interruptions, delays, or errors, or other defects, representations, or use of these services, or (2) the failure to furnish its service, whether caused by acts or omission, shall be limited to the extension of allowances to the Customer for interruptions in service as set forth in Section 2.4.
- 2.3.2 Except for the extension of allowances to the Customer for interruptions in service as set forth in Section 2.4, Carrier shall not be liable to a Customer or third party for any direct, indirect, special, incidental, reliance, consequential, exemplary or punitive damages, including, but not limited to, loss of revenue or profits, for any reason whatsoever, including, but not limited to, any act or omission, failure to perform, delay, interruption, failure to provide any service or any failure in or breakdown of facilities associated with the service.
- 2.3.3 The liability of Carrier for errors in billing that result in overpayment by the Customer shall be limited to a credit equal to the dollar amount erroneously billed or, in the event that payment has been made and service has been discontinued, to a refund of the amount erroneously billed.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.3 Liability of Carrier (Cont'd)

2.3.4 Carrier shall not be liable for any claims for loss or damages involving:

- A. Any act or omission of: (1) the Customer, (2) any other entity furnishing service, equipment or facilities for use in conjunction with services or facilities provided by Carrier; or (3) common carriers or warehousemen;
- B. Any delay or failure of performance or equipment due to causes beyond Carrier's control, including but not limited to, acts of God, fires, floods, earthquakes, hurricanes, or other catastrophes; national emergencies, insurrections, riots, wars or other civil commotions; strikes, lockouts, work stoppages or other labor difficulties; criminal actions taken against Carrier; unavailability, failure or malfunction of equipment or facilities provided by the Customer or third parties; and any law, order, regulation or other action of any governing authority or agency thereof;
- C. Any unlawful or unauthorized use of Carrier's facilities and services;
- D. Libel, slander, invasion of privacy or infringement of patents, trade secrets, or copyrights arising from or in connection with the transmission of communications by means of Carrier-provided facilities or services; or by means of the combination of Carrier-provided facilities or services with Customer-provided facilities or services;
- E. Breach in the privacy or security of communications transmitted over Carrier's facilities;

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.3 Liability of Carrier (Cont'd)

2.3.4 (Cont'd)

- F. Changes in any of the facilities, operations or procedures of Carrier that render any equipment, facilities or services provided by the Customer obsolete, or require modification or alteration of such equipment, facilities or services, or otherwise affect their use or performance, except where reasonable notice is required by Carrier and is not provided to the Customer, in which event Carrier's liability is limited as set forth in subsection 2.3.1 of this Section 2.3.
- G. Injury to property or injury or death to persons, including claims for payments made under Workers' Compensation law or under any plan for employee disability or death benefits, arising out of, or caused by, any act or omission of the Customer, or the construction, installation, maintenance, presence, use or removal of the Customer's facilities or equipment connected, or to be connected to Carrier's facilities;
- H. Any intentional, wrongful act of a Carrier employee when such act is not within the scope of the employee's responsibilities for Carrier and/or is not authorized by Carrier;
- I. Any representations made by Carrier employees that do not comport, or that are inconsistent, with the provisions of this Tariff;
- J. Any act or omission in connection with the provision of 911, E911, or similar services involving emergencies;
- K. Any noncompletion of calls due to network busy conditions;
- L. Any calls not actually attempted to be completed during any period that service is unavailable.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.3 Liability of Carrier (Cont'd)

2.3.5 Carrier shall be indemnified, defended and held harmless by the Customer or end user from and against any and all claims, loss, demands, suits, expense, or other action or any liability whatsoever, including attorney fees, whether suffered, made, instituted, or asserted by the Customer or by any other party, for any personal injury to or death of any person or persons, and for any loss, damage or destruction of any property, including environmental contamination, whether owned by the Customer or by any other party, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, presence, condition, location, use or removal of any Carrier or Customer equipment or facilities or service provided by Carrier.

2.3.6 Carrier does not guarantee nor make any warranty with respect to installations provided by it for use in an explosive atmosphere. Except as otherwise provided for by applicable law or regulations or determined by a court of competent jurisdiction and unless due to Carrier's negligence, Carrier shall be indemnified, defended and held harmless by the Customer from and against any and all claims, loss, demands, suits, or other action, or any liability whatsoever, including attorney fees, whether suffered, made, instituted or asserted by the Customer or by any other party, for any personal injury to or death of any person or persons, and for any loss, damage or destruction of any property, including environmental contamination, whether owned by the Customer or by any other party, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, presence, condition, location, use or removal of any equipment or facilities or the service.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.3 Liability of Carrier (Cont'd)

2.3.7 Carrier assumes no responsibility for the availability or performance of any cable or satellite systems or related facilities under the control of other entities, or for other facilities provided by other entities used for service to the Customer, even if Carrier has acted as the Customer's agent in arranging for such facilities or services. Such facilities are provided subject to such degree of protection or nonpreemptibility as may be provided by the other entities.

2.3.8 Any claim of whatever nature against Carrier shall be deemed conclusively to have been waived unless presented in writing to Carrier within 180 days after the date of the occurrence that gave rise to the claim.

2.4 Interruption of Service

2.4.1 Credit allowance for the interruption of service which is not due to The Company's testing or adjusting, negligence or the customer, or to the failure of channels or equipment provided by the customer, are subject to the general liability provisions set forth in 2.3.1 herein. It shall be the customer's obligation to notify the Company immediately of any service interruption for which a credit allowance is desired. Before giving such notice, the customer shall ascertain that the trouble is not being caused by any action or omission by the customer within his control, if any, furnished by the customer and connected to the Company's facilities. No refund or credit will be made for the time that the Company stands ready to repair the service and the subscriber does not provide access to the Company for such restoration work.

2.4.2 No credit shall be allowed for an interruption of a continuous duration of less than twenty-four hours after the subscriber notifies the Company.

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By:

Gail E. Granton, Vice President
International Exchange Communications, Inc. d/b/a IE Com
500 Airport Blvd., Suite 340
Burlingame, California 94010

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.4 Interruption of Service (Cont'd)

- 2.4.3** The customer shall be credited for an interruption of more than twenty-four hours as follows:

Credit Formula:

$\text{Credit} = A/B \times C$

"A" - outage time in hours

"B" - total hours in a month (month = 720)

"C" - total monthly charge for affected facility

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.5 Disconnection of Service by Carrier

Carrier, upon 5 working days written notice to the Customer, may discontinue service or cancel an application for service without incurring any liability for any of the following reasons:

2.5.1 Non-payment of any sum due to Carrier for regulated service for more than thirty days beyond the date of rendition of the bill for such service.

2.5.2 A violation of any regulation governing the service under this tariff.

2.5.3 A violation of any law, rule, or regulation of any government authority having jurisdiction over such service.

2.6 Deposits

The Company does not require a deposit from the Customer.

2.7 Advance Payments

For Customers whom the Company feels an advance payment is necessary, the Company reserves the right to collect an amount not to exceed one (1) month's estimated charges as an advance payment for service. This will be applied against the next month's charges and if necessary a new advance payment will be collected for the next month.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.8 Customer Complaints

Customer complaints are handled by a full service customer service department. Carrier's toll-free number will be printed on customer bills. Customers may call 1-888-551-0597 during normal business hours or submit a written complaint to:

International Exchange Communications, Inc. d/b/a IE Com
500 Airport Boulevard, Suite 340
Burlingame, CA 94010

If the customer is not satisfied with the Company's response, the customer may contact the South Dakota Public Utilities Commission, Capitol Building, 1st floor, 500 East Capitol Avenue, Pierre, SD 57501-5070 Telephone: (605)773-3201 or 1-800-332-1782.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.9 Taxes

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

2.10 Billing of Calls

All charges due by the subscriber are payable at any agency duly authorized to receive such payments. Any objection to billed charges should be promptly reported to the Company. Adjustments to customers' bills shall be made to the extent that records are available and/or circumstances exist which reasonably indicate that such charges are not in accordance with approved rates or that an adjustment may otherwise be appropriate.

2.11 Minimum Use Contracts

2.11.1 The Company may offer services which require a minimum use guarantee ("MUG") wherein the Subscriber agrees, in writing, to pay the minimum amount per period agreed to upon commencement of service. Subscribers falling below their MUG will be billed for the minimum amount due per period pursuant to the MUG agreement.

2.11.2 Should the Subscriber choose to terminate their contract prior to expiration of the term agreed to in the MUG agreement, the Subscriber will be liable for the minimum usage requirements contained in the contract multiplied by the number of months remaining in the term, unless Subscriber converts to another Company service with equal or greater term and minimum usage commitments. If no minimum usage requirements are specified in the contract, upon any early termination of Subscriber's contract, Subscriber will be liable for their monthly average usage (calculated over the last three full months immediately preceding the date of termination) multiplied by the number of months remaining in the term.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.11 Minimum Use Contracts (Cont'd)

2.11.3 The initial contract period for service under this section is one month. Subsequent contract periods shall be for additional one-month periods unless otherwise specified.

2.12 Individual Contracts

At the option of the Company, service may be offered on a contract basis to meet specialized requirements of the Customer not contemplated in this tariff as approved by the Commission. The terms of each contract shall be mutually agreed upon between the Customer and Company and may include discounts off of rates contained herein, waiver of recurring or nonrecurring charges, charges for specially designed and constructed services not contained in the Company's general service offerings, or other customized features. The terms of the contract may be based partially or completely on the term and volume commitment, type of originating or terminating access, mixture of services or other distinguishing features. Service shall be available to all similarly situated Customers for a fixed period of time following the initial offering for the first contract Customer as specific in each individual contract.

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SECTION 3. DESCRIPTION OF RATES AND SERVICES

The regulations set forth in this section explain how to apply the rate tables associated with the various service offerings described in Section 4, following.

3.1 When Billing Charges Begin and End for Phone Calls

The Customer's long distance usage charge is based on the actual usage of the Company's network. Usage begins when the called party picks up the receiver, (i.e. when 2-way communications, often referred to as "conversation time" is possible.). When the called party picks up is determined by hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. When software answer supervision is employed, up to 60 seconds of ringing is allowed before it is billed as usage of the network. A call is terminated when the calling or called party hangs up.

3.2 Billing Increments

The minimum call duration for billing purposes is thirty seconds for a connected call and calls beyond thirty seconds are billed in six second increments.

3.3. Uncompleted Calls

The Company does not bill customers for calls which are not completed (busy numbers, no answer, etc.).

3.4. Credit and Refunds

If a credit is requested on a call due to trouble on the line (such as bad connection, disconnection, wrong number dialed, etc.), and the credit is requested immediately through the operator of the underlying carrier, it is issued promptly. All other credit requests are handled through the Company's business office.

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SECTION 3. DESCRIPTION OF RATES AND SERVICES (Cont'd)

3.5 Calculation of Distance

Usage charges for all mileage sensitive products are based on the airline distance between rate centers associated with the originating and terminating points of the call.

The airline mileage between rate centers is determined by applying the formula below to the vertical and horizontal coordinates associated with the rate centers involved. The Company uses the rate centers that are produced by Bell Communications Research in the NPA-NXX V & H Coordinates Tape and Bell's NECA Tariff No. 4.

FORMULA:

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

3.6 Minimum Call Completion Rate

A customer can expect a call completion rate (number of calls completed / number of calls attempted) of not less than 90% during peak use periods.

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SECTION 3. DESCRIPTION OF RATES AND SERVICES (Cont'd)

3.7 Service Offerings

3.7.1 Prepaid Calling Card - "Travel Express"

Prepaid Calling Card - "Travel Express", (non-operator assisted, direct-dial) is offered to Customers who purchase a prepaid calling card from Carrier. This product is offered to Customers through agents who have contracted with Carrier to market this service to said customers. Cards will be issued in denominations of \$10, \$20, \$30, \$50 and \$100.

Calls are subject to a one (1) minute minimum billing duration, and sixty (60) second billing increments. Unless where otherwise specified herein, when the application of the rates set forth in this Section results in a fractional charge for an individual call, the total charge for that particular call will be rounded up to the next higher cent. Calls are rated based on call duration, as measured from answer supervision to disconnect. No charge will generally apply to uncompleted calls, which include "ring busy" and "ring no answer" calls. All rates will be per minute of usage, twenty-four (24) hours per day, and seven (7) days per week, 365 days per year. The charge is deducted from the remaining balance on the card after disconnect. The Customer is notified by a beep when one (1) minute of usage remains on the card, if the card is in use.

For intrastate interLATA and intraLATA calls, Customers access the Prepaid Calling Card service by:

1. Dialing 1 + Toll Free Number (800/888) - as indicated on reverse of card.
2. At voice prompt, entering the Card Number.
3. At voice prompt, entering desired destination number by dialing 1 + (Area Code [NPA]) + (Exchange [NXX]) + (Station [XXXX]).
4. Calls are routed over Carrier's transmission and switching facilities to any valid domestic location served by Carrier.
5. Customer is notified of the dollar value and the number of domestic minutes of usage remaining on the card.

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SECTION 3. DESCRIPTION OF RATES AND SERVICES (Cont'd)

3.7 Service Offerings (Cont'd)

3.7.2 SNAP Service

SNAP ServiceSM (non-operator assisted, direct-dial) is offered to customers, including but not limited to, residential and business Customers.

Calls are subject to a one (1) minute minimum billing duration, and sixty (60) second billing increments. Calls are rated based on call duration, as measured from answer supervision to disconnect. No charge will generally apply to uncompleted calls, which include "ring busy" and "ring no answer" calls, and such uncompleted calls will not knowingly be charged to the Customer and, if charged in error, will be refundable to the Customer. Unless where otherwise specified herein, when the application of the rates set forth in this Section results in a fractional charge for an individual call, the total charge for that particular call will be rounded up to the next higher cent.

All calls and charges covered by this product description will be rendered to the customer by the Local Exchange Company (LEC) on behalf of Carrier by its billing agent.

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SECTION 3. DESCRIPTION OF RATES AND SERVICES (Cont'd)

3.7 Service Offerings (Cont'd)

3.7.3 Postpaid Calling Card - "Travel Express"

Carrier offers Postpaid Calling Card - "Travel Express," (non-operator assisted, direct-dial) to customers who select Carrier as their long distance carrier and request a calling card on the letter of Authorization (LOA) submitted to Carrier for activation. This product is offered to Customers through agents who have contracted with Carrier to market this service to said Customers.

Calls are subject to a one (1) minute minimum billing duration, and sixty (60) second billing increments. Calls are rated based on call duration, as measured from answer supervision to disconnect. No charge will generally apply to uncompleted calls, which include "ring busy" and "ring no answer" calls.

Customers access Postpaid Calling Card by:

1. Dialing 1+ toll free number (800/888) - as indicated on reverse of card.
2. At voice prompt, entering card number.
3. At voice prompt, entering desired destination number by dialing It (Area Code ([NPA]) + (Exchange [NXX]) + (Station [XXXX])).
4. Calls are routed over Carrier's transmission and switching facilities to any valid domestic location served by Carrier.

The charges for usage on this card will be billed on the customer's Local Exchange Company. (LEC) bill using the customer's billing telephone number.

All rates will be per minute of usage, twenty-four (24) hours per day, and seven days per week, 365 days per year.

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SECTION 3. DESCRIPTION OF RATES AND SERVICES (Cont'd)

3.7 Service Offerings (Cont'd)

3.7.4 International Program - Residential/Retail

International Program (IP) - Residential/Retail[™] (non-operator assisted, direct-dial) is offered to Customers who have a residential line(s) at their premise and are presubscribed to Carrier. The Customer must select the IP - Residential/Retail[™] product on the Carrier Letter of Agency (LOA).

Calls are subject to a one (1) minute minimum billing duration, and sixty (60) second billing increments. Calls are rated based on call duration, as measured from answer supervision to disconnect. No charge will generally apply to uncompleted calls, which include "ring busy" and "ring no answer" calls, and such uncompleted calls will not knowingly be charged to the Customer and, if charged in error, will be refundable to the Customer. Unless where otherwise specified herein, when the application of the rates set forth in this Section results in a fractional charge for an individual call, the total charge for that particular call will be rounded up to the next higher cent.

For intrastate interLATA and intraLATA calls, Customers access IP - Residential/Retail[™] by dialing 1 + (Area Code [where required]) + (Exchange [NXX]) + (Station [XXXX]). Calls are routed over Carrier's transmission and switching facilities to any valid domestic location served by Carrier

All calls and charges covered by this product description will be rendered to the customer by the Local Exchange Company (LEC) on behalf of Carrier by its billing agent.

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SECTION 3. DESCRIPTION OF RATES AND SERVICES (Cont'd)

3.7 Service Offerings (Cont'd)

3.7.5 International Program - Commercial (Dedicated)[™]

International Program (IP) - Commercial (Dedicated)[™], (non-operator assisted, direct-dial) is offered to Customers who have provisioned a dedicated access, private line between their premise and a Carrier point of presence (POP). The Customer must select the IP - Commercial (Dedicated)[™] product on the Carrier letter of agency (LOA).

Calls are subject to a thirty (30) second minimum billing duration, and six (6) second billing increments. Calls are rated based on call duration, as measured from answer supervision to disconnect. No charge will generally apply to uncompleted calls, which include "ring busy" and "ring no answer" calls, and such uncompleted calls will not knowingly be charged to the Customer and, if charged in error, will be refundable to the Customer.

For intrastate interLATA and intraLATA calls, Customers access IP - Commercial (Dedicated)[™] by their switch (PBX) outpulsing (dialing) the (Area Code [where required]) + (Exchange [NXX]) + (Station [XXXX]). Calls are routed over Carrier's transmission and switching facilities to any valid domestic location served by Carrier.

All calls and charges covered herein will be rendered to the Customer by Carrier directly. All rates are F.O.B. at the nearest Carrier point of presence to the Customer. From time to time, Carrier will publish a list of its points of presence in the United States.

This dedicated access service will be contracted with Carrier and subject to a six month term contract. Additionally, the customer will be required to invoice a minimum of \$3,000 per month or 50,000 billable minutes of traffic to all destinations. This provision will be waived for the first two months of the term period.

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SECTION 3. DESCRIPTION OF RATES AND SERVICES (Cont'd)

3.7 Service Offerings (Cont'd)

3.7.6 International Program - Commercial (1+)[™]

International Program (IP) - Commercial (1+)[™] (non-operator assisted, direct-dial) is offered to customers who have a business line(s) at their premise and are presubscribed to Carrier. The customer must select the IP - Commercial (1+)[™] product on the Carrier letter of agency (LOA).

Calls are subject to a thirty (30) second minimum billing duration, and six (6) second billing increments. Calls are rated based on call duration, as measured from answer supervision to disconnect. No charge will generally apply to uncompleted calls, which include "ring busy" and "ring no answer" calls, and such uncompleted calls will not knowingly be charged to the Customer and, if charged in error, will be refundable to the Customer.

For intrastate interLATA and intraLATA calls, Customers access IP - Commercial (1+)[™] by dialing 1 + (Area Code [where required]) + (Exchange [NXX]) + (Station [XXXX]). Calls are routed over Carrier's transmission and switching facilities to any valid domestic location served by Carrier.

At the customer's option, all calls and charges covered by this product description can be rendered to the customer by :

- (i) the Local Exchange Company (LEC) on behalf of Carrier by its billing agent;
or
- (ii) Carrier directly.

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SECTION 3. DESCRIPTION OF RATES AND SERVICES (Cont'd)

3.7 Service Offerings (Cont'd)

3.7.7 1+ Square Deal™

1+ Square Deal™, (non-operator assisted, direct-dial) is offered to customers who have a residential line(s) at their premise and are presubscribed to Carrier. The Customer must select the 1+ Square Deal™ product on the Carrier's letter of agency (LOA) or select Carrier as their long distance carrier with their Local Exchange Company (LEC).

Calls are subject to a one (1) minimum billing duration, and sixty (60) second billing increments. Calls are rated based on call duration, as measured from answer supervision to disconnect. No charge will generally apply to uncompleted calls, which include "ring busy" and "ring no answer" calls, and such uncompleted calls will not knowingly be charged to the Customer and, if charged in error, will be refundable to the Customer.

Customers access 1+Square Deal by dialing 1+ (Area Code [where required])+ (Exchange [NXX])+ (Station [XXXX]). Calls are routed over Carrier's transmission and switching facilities to any valid domestic location served by Carrier.

All calls and charges covered by this product will be rendered to the customer by the Local Exchange Company (LEC) on behalf of Carrier by its billing agent.

Carrier reserves the right to apply all credit policies and procedures in effect at the time of the customer's order for service prior to processing of said order. Carrier additionally reserves the right to discontinue providing service to a customer if in Carrier's sole discretion it believes that the service is being fraudulently to improperly used.

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SECTION 3. DESCRIPTION OF RATES AND SERVICES (Cont'd)

3.7 Service Offerings (Cont'd)

3.7.8 Toll Free Service

Toll Free Service is an inbound-only service that allows callers located in the United States to place toll-free calls by dialing a telephone number in the 800,888 or other toll free area code. Calls may be terminated either to the Customer's local exchange telephone service, or to a dedicated access line. Call charges are billed to the Customer rather than to the originating caller.

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**Gail E. Granton, Vice President
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SECTION 4. RATES

4.1 Prepaid Calling Card - "Travel Express"

Per Minute Charge: \$0.30

4.2 SNAP Service™

Per Minute Charge: \$0.10

4.3 Postpaid Calling Card - "Travel Express"

Per Minute Charge: \$0.12

Per Call Surcharge:* \$0.75

* Surcharge applies in addition to the per minute usage rate.

4.4 International Program - Residential/Retail™

Per Minute Charge: \$0.12

4.5 International Program - Commercial (Dedicated)™

Per Minute Charge: \$0.08

4.6 International Program - Commercial (1+)™

Per Minute Charge: \$0.11

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SECTION 4. RATES (Cont'd)

4.7 1+ Square Deal™

4.7.1 Measured Rates

All rates will be per minute of usage, twenty-four (24) hours per day, and seven (7) days per week, 365 days per year.

Peak hours are Monday through Friday, 7 a.m. to 7 p.m.

	<u>Peak</u>	<u>Off- Peak</u>
Per Minute Charge	\$0.22	\$0.10

Unless where otherwise specified herein, when the application of the rates set forth in this Section results in a fractional charge for an individual call, the total charge for that particular call will be rounded up to the next higher cent.

4.8. Toll Free Service

Per Minute Charge: \$0.12

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SECTION 4. RATES (Cont'd)

4.9 Payment of Calls

4.9.1 Late Payment Charges

Interest charges of 1.5% per month will be assessed on all unpaid balances more than thirty days old.

4.9.2 Return Check Charges

A return check charge of \$25.00 will be assessed for checks returned for insufficient funds if the face value does not exceed \$50.00, \$30.00 if the face value does exceed \$50.00 but does not exceed \$300.00, \$40.00 if the face value exceeds \$300.00 or 5% of the value of the check, which ever is greater.

4.10 Restoration of Service

A reconnection fee of \$25.00 per occurrence is charged when service is re-established for customers who had been disconnected for non-payment.

4.11 Special Promotions

The company will, from time to time, offer special promotions to its customers waiving certain charges. These promotions will be approved by the Commission with specific starting and ending dates.

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500 Airport Blvd., Suite 340
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VERIFICATION

STATE OF CALIFORNIA

SS:

COUNTY OF SAN MATEO

VERIFICATION

I, Gail E. Granton, being duly sworn, declare that I am the Vice President of International Exchange Communications, Inc. d/b/a IE Com, the Applicant in the subject proceeding; that I have read the foregoing application and exhibits; and that the same are true and correct to the best of my knowledge, information, or belief.

Gail Granton

Subscribed and sworn to before me

this 8th day of June, 1999

Notary Public

Julie Phanicharn

My Commission Expires: Jan. 18, 2000



SWIDLER BERLIN SHEREFF FRIEDMAN, LLP
WASHINGTON, DC 20007

0108274

108274

05/27/99

05/25/99 ST052599

PI

\$250.00

TC 99-061

\$250.00

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP
3000 K STREET, N.W., SUITE 300
WASHINGTON, DC 20007



FIRST UNION NATIONAL BANK

15-122/540

0108274

NO. 108274

EXACTLY***250*DOLLARS AND*00*CENTS

DATE

AMOUNT

05/27/99

*****250.00

PAY TO THE ORDER OF
South Dakota Public
Utilities Commission

GENERAL ACCOUNT
TWO SIGNATURES REQUIRED ABOVE \$10,000

⑈108274⑈ ⑆054001220⑆ 2030000061363⑈

South Dakota Public Utilities Commission
WEEKLY FILINGS
For the Period of June 17, 1999 through June 23, 1999

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

CONSUMER COMPLAINTS

CT99-007 In the Matter of the Complaint filed by Philip and Darlene Bestgen, Whitewood, South Dakota, against U S WEST Communications, Inc. Regarding Lack of Easement for Facility Property.

The Complainants claim that U S WEST Communications buried a cable on their property without an easement. They further claim that when U S WEST Communications was informed of the issue, U S WEST Communications signed a contract to remove the cable by November 29, 1998 and paid \$1600 for indemnification.

The cable has not been removed. The Complainants seek the following relief: "We ask that U S WEST pay the same daily indemnification from November 29, 1998, to the date of removal as they did from Aug. 29, 1998 to Nov. 29, 1998. We ask that this money be made payable to South Dakota schools of our choice and for the matter to be addressed as personal private property rights as the Constitution intended."

Consumer Affairs: Leni Healy
Staff Attorney: Camron Hoseck
Date Filed: 06/11/99
Intervention Deadline: NA

CT99-008 In the Matter of the Complaint filed by Brady and Tiffany Cramer, Sioux Falls, South Dakota, against MCI WorldCom Regarding Unauthorized Switching of Long Distance Service.

The Complainants allege that their long distance telecommunications service was switched without their authorization. After several attempts to correct the problem over the past year, they remain unsatisfied. The Complainants are seeking a re-rating of their billing to 10 cents per minute plus an amount to hold the companies accountable for their difficulty.

Consumer Affairs: Leni Healy
Staff Attorney: Camron Hoseck
Date Filed: 06/21/99
Intervention Deadline: NA

TELECOMMUNICATIONS

TC99-061

In the Matter of the Application of International Exchange Communications, Inc. d/b/a IE Com for a Certificate of Authority to Provide Telecommunications Services in South Dakota.

International Exchange Communications, Inc. d/b/a IE Com has filed a request for a Certificate of Authority to offer resold interexchange services, including, but not limited to , 1+ long distance message telecommunications services and prepaid and postpaid calling card services to business and residential customers.

Staff Analyst: Michele Farris
Staff Attorney: Camron Hoseck
Date Filed: 06/17/99
Intervention deadline: 07/09/99

TC99-062 In the Matter of the Application of DIECA Communications, Inc. d/b/a Covad Communications Company for a Certificate of Authority to Provide Telecommunications Services, Including Local Exchange Services, in South Dakota.

DIECA intends to provide both facilities-based and resold interexchange and local exchange services. DIECA requests authority to provide services throughout U S West and any other incumbent local exchange carrier territories not qualifying as small or rural local exchange carriers.

Staff Analyst: Keith Senger
Staff Attorney: Camron Hoseck
Date Filed: 06/17/99
Intervention Date: 07/09/99

TC99-063 In the Matter of the Establishment of Switched Access Revenue Requirement for Splitrock Telecom Cooperative, Inc.

Splitrock Telecom Cooperative, Inc. filed a switched access cost study developing a revenue requirement that is included in the revenue requirement used to determine the switched access rates for the Local Exchange Carrier Association.

Staff Analyst: Harlan Best/Keith Senger
Staff Attorney: Karen Cremer
Date Filed: 06/23/99
Intervention Deadline: 07/09/99

TC99-064 In the Matter of the Establishment of Switched Access Revenue Requirement for Midstate Telephone Company and Heartland Communications, Inc.

Midstate Telephone Company and Heartland Communications, Inc. filed a single switched access cost study developing a revenue requirement that is included in the revenue requirement used to determine the switched access rates for the Local Exchange Carrier Association.

Staff Analyst: Harlan Best/Keith Senger

Staff Attorney: Karen Cremer

Date Filed: 06/23/99

Intervention Deadline: 07/09/99

TC99-065 In the Matter of the Establishment of Switched Access Revenue Requirement for Valley Telecommunications Cooperative Association and Valley Cable & Satellite Communications.

Valley Telecommunications Cooperative Association and Valley Cable & Satellite Communications filed a single switched access cost study developing a revenue requirement that is included in the revenue requirement used to determine the switched access rates for the Local Exchange Carrier Association.

Staff Analyst: Harlan Best/Keith Senger

Staff Attorney: Karen Cremer

Date Filed: 06/23/99

Intervention Deadline: 07/09/99

TC99-066 In the Matter of the Establishment of Switched Access Revenue Requirement for Sully Buttes Telephone Cooperative, Inc. and Venture Communications, Inc.

Sully Buttes Telephone Cooperative, Inc. and Venture Communications, Inc. filed a single switched access cost study developing a revenue requirement that is included in the revenue requirement used to determine the switched access rates for the Local Exchange Carrier Association.

Staff Analyst: Harlan Best/Keith Senger

Staff Attorney: Karen Cremer

Date Filed: 06/23/99

Intervention Deadline: 07/09/99

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

**IN THE MATTER OF THE APPLICATION OF)
INTERNATIONAL EXCHANGE)
COMMUNICATIONS, INC. D/B/A IE COM FOR)
A CERTIFICATE OF AUTHORITY TO PROVIDE)
TELECOMMUNICATIONS SERVICES IN)
SOUTH DAKOTA)**

**ORDER GRANTING
CERTIFICATE OF
AUTHORITY**

TC99-061

On June 17, 1999, 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 International Exchange Communications, Inc. d/b/a IE Com (IE Com).

IE Com proposes to offer resold interexchange services, including, but not limited to, direct dial "1+" long distance message telecommunications service (MTS) and prepaid and postpaid calling card services to business and residential customers. A proposed tariff was filed by IE Com. The Commission has classified long distance service as fully competitive.

On June 24, 1999, the Commission electronically transmitted notice of the filing and the intervention deadline of July 9, 1999, to interested individuals and entities. No petitions to intervene or comments were filed and at its October 7, 1999, meeting, the Commission considered IE Com's request for a certificate of authority. Commission Staff recommended granting a certificate of authority. Commission Staff further recommended a waiver of 20:10:24:02(8).

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 IE Com has met the legal requirements established for the granting of a certificate of authority. IE Com has, in accordance with SDCL 49-31-3, demonstrated sufficient technical, financial and managerial capabilities to offer telecommunications services in South Dakota. Further, the Commission finds that there is good cause to waive subparagraph (8) of ARSD 20:10:24:02. The Commission approves IE Com's application for a certificate of authority. As the Commission's final decision in this matter, it is therefore

ORDERED, that IE Com's application for a certificate of authority is hereby granted.
It is

FURTHER ORDERED, that the Commission finds good cause to waive subparagraph (8) of ARSD 20:10:24:02. It is

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

Dated at Pierre, South Dakota, this 20th day of October, 1999.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: *Neilson Kaelbo*

Date: 10/20/99

(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 7, 1999
Docket No. TC99-061

This is to certify that

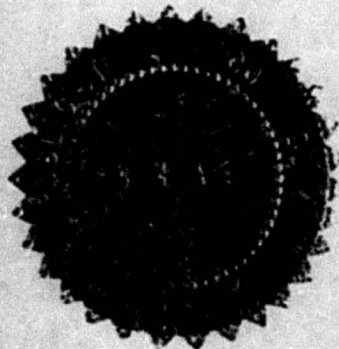
**INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.
D/B/A IE COM**

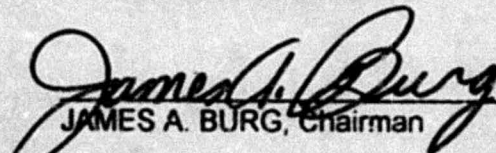
is authorized to provide telecommunications services in South Dakota.

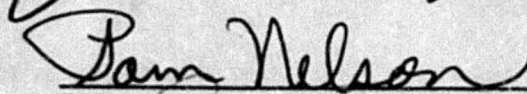
This certificate is issued in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, and is subject to all of the conditions and limitations contained in the rules and statutes governing its conduct of offering telecommunications services.

Dated at Pierre, South Dakota, this 20th day of October, 1999.

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION:**




JAMES A. BURG, Chairman


PAM NELSON, Commissioner


LASKA SCHOENFELDER, Commissioner