

TC000-129

HOGAN & HARTSON
LLP

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August 22, 2000

COLUMBIA SQUARE
355 THIRTIETH STREET, NW
WASHINGTON, DC 20001-2000
TEL (202) 371-3000
FAX (202) 371-3000

VIA OVERNIGHT DELIVERY

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

RECEIVED

AUG 24 2000

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Re: **Zone Telecom, Inc.**
Application for Certificate of Public Convenience
and Necessity to Provide
Competitive Telecommunications Services
in South Dakota

Dear Mr. Bullard:

Enclosed for filing is an original and ten copies of an application by Zone Telecom, Inc. for a Certificate of Public Convenience and Necessity to provide non-dominant, facilities-based and resold intrastate interexchange and alternative operator telecommunications services to consumers in the State of South Dakota.

A check in the amount of \$250.00 made payable to the South Dakota Public Utilities Commission is enclosed along with the application.

Kindly date-stamp the additional copy of this filing and return it to me in the enclosed postage prepaid envelope. Any questions concerning this submission should be addressed to the undersigned.

Respectfully submitted,



Marissa G. Repp

Counsel for Zone Telecom, Inc.

Enclosures

Before the
SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION

RECEIVED

AUG 24 2000

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Application of)
Zone Telecom, Inc.)
For a Certificate of Public Convenience)
and Necessity to Provide Facilities-)
Based and Resold Intrastate)
Interexchange and Alternative Operator)
Telecommunications Services)

Docket No. _____

APPLICATION FOR AUTHORITY

Pursuant to South Dakota Compiled Law Section 49-31-3 and Administrative Rules of South Dakota Chapter 20:10:24:02 and 20:10:24:05, Zone Telecom, Inc. ("Zone" or the "Applicant"), hereby requests a Certificate of Public Convenience and Necessity to provide non-dominant, facilities-based and resold intrastate interexchange and alternative operator telecommunications services to consumers in South Dakota.

I. INFORMATION SPECIFIED BY ADMINISTRATIVE RULES OF SOUTH DAKOTA CHAPTER 20:10:24:02

(1) The name, address, and telephone number of the applicant.

Zone Telecom, Inc. (referred to herein as "Zone")
279 Harvard Street, Suite 21
Cambridge, Massachusetts 02139
617-876-3002

(2) The name under which the applicant will provide these services if different than in subdivision (1) of this section.

Zone Telecom, Inc., Zone Telecom or Zone.

(3) If the applicant is a corporation:

(a) The state in which it is incorporated, the date of incorporation, and a copy of its certificate of incorporation or, if it is an out-of-state corporation, a copy of its certificate of authority to transact business in South Dakota from the Secretary of State.

Zone is incorporated in Delaware.

Zone was incorporated on June 13, 2000.

The certificate of incorporation of Zone is submitted as Exhibit A hereto.

The Certificate of Good Standing Foreign Corporation from the State of South Dakota dated August 11, 2000, which evidences that Zone was authorized to transact business in South Dakota on July 25, 2000, and that Zone is a foreign corporation in good standing in South Dakota, is attached as Exhibit B hereto.

(b) The location of its principal office, if any, in this state and the name and address of its current registered agent.

The registered agent for Zone in the state of South Dakota is:

CT Corporation System
319 South Coteau Street
Pierre, South Dakota 57501

(c) The name and address of each corporation, association, partnership, cooperative, or individual holding a 20 percent or greater ownership or management interest in the applicant corporation and the amount and character of the ownership or management interest.

Zone USA, Inc., a Delaware corporation, owns all of the outstanding stock of Zone. The address and phone number of Zone USA, Inc. is:

Zone USA, Inc.
279 Harvard Street, Suite 21
Cambridge, Massachusetts 02139
617-876-3002

(4) If the applicant is a partnership, the name, title, and business address of each partner, both general and limited

Not applicable.

(5) A description of the telecommunications services the applicant intends to offer.

By this Application, Zone seeks authority to provide facilities-based and resold intrastate interexchange and alternative operator telecommunications services to residential and business customers throughout the State of South Dakota.

Specifically, Zone seeks authority to provide a variety of competitive telecommunications services, including the following:

- Retail and wholesale switched interLATA (and, in certain cases, intraLATA) long distance services.
- Retail and wholesale calling card services.
- Retail and wholesale interLATA private line services.
- Prepaid calling card services.
- Operator services.

Because Zone will be a non-dominant, competitive provider of telecommunications services in South Dakota, it respectfully requests that it be subject to the same streamlined regulatory treatment afforded other competitive carriers in South Dakota.

(6) A detailed statement of the means by which the applicant will provide its services.

Zone plans on providing competitive telecommunications services through a combination of resale agreements and owned and leased facilities.

(7) The geographic areas in which the services will be offered or a map describing the service area.

Throughout the State of South Dakota.

(8) Current financial statements including a balance sheet, income statement, and cash flow statement; a copy of the applicant's latest annual report; a copy of the applicant's report to stockholders; and a copy of applicant's tariff with the terms and conditions of service.

Zone is a newly-incorporated company that is not yet operating. Consequently, a balance sheet, income statement, cash flow statement and annual report do not yet exist for Zone. Zone is an indirect, wholly-owned subsidiary of

e-Kong Group Limited ("e-Kong Group"), a widely-held Bermuda corporation whose stock is listed on the Hong Kong Stock Exchange. The 1999 Annual Report for e-Kong Group, which includes a consolidated income statement, consolidated statement of recognized gains and losses, balance sheets, and consolidated cash flow statement for the years ending December 31, 1998, and December 31, 1999, is submitted as Exhibit C hereto. See below, at the response to ARSD 20:10:24:02(15) for Zone's written request for waiver of ARSD 20:10:24:02(6).

(9) The names, addresses, telephone number, fax number, E-mail address, and toll free number of the applicant's representatives to whom all inquiries must be made regarding complaints and regulatory matters and a description of how the applicant handles customer billings and customer service matters.

Jill Papenhausen
Zone Telecom, Inc.
459 Oakshade Road
Shamong, NJ 08088
Toll Free Phone: (800) 233-4736
Fax: (609) 268-8713
E-mail: jpapenhausen@furst.com

For service, billing and repair complaints and inquiries, customers may contact Zone 24 hours per day, seven days per week toll free at (800) 233-4736 and 1-800-626-4736. In addition, customers may contact Zone by writing to Customer Service Division, Zone Telecom, Inc., 459 Oakshade Road, Shamong, NJ 08088.

(10) A list of the states in which the applicant is registered or certified to provide telecommunications services, whether the applicant has ever been denied registration or certification in any state and the reasons for any such denial, a statement as to whether or not the applicant is in good standing with the appropriate regulatory agency in the states where it is registered or certified, and a detailed explanation of why the applicant is not in good standing in a given state, if applicable.

Zone is not currently registered or certified to provide telecommunications services in any state, nor has it ever been denied registration or certification in any state. Zone, as a newly-formed corporation has not yet transacted business in South Dakota or other states. Zone plans on filing for the requisite authorizations to provide competitive telecommunications services in every state and the District of Columbia.

(11) A description of how the applicant intends to market its services, its target market, whether the applicant engages in any multilevel marketing, and copies of any company brochures used to assist in the sale of services.

Zone's marketing plans have not been determined at this time.

(12) Cost support for rates shown in the company's tariff for all noncompetitive or emerging competitive services.

Not applicable; all services are competitive.

(13) Federal tax identification number.

Zone's federal tax identification number is 04-3520968.

(14) The number and nature of complaints filed against the applicant with any state or federal regulatory commission regarding the unauthorized switching of a customer's telecommunications provider and the act of charging customers for services that have not been ordered.

There are no complaints filed against Zone regarding unauthorized switching or for charging customers for services that have not been ordered.

(15) A written request for waiver of those rules the applicant believes to be inapplicable.

REQUEST FOR WAIVER OF ARSD 20:10:24:02(8) and (12)

Zone hereby requests a waiver of ARSD 20:10:24:02(8) regarding the provision of financial reports for Zone, insofar as it is a newly-incorporated company without income or cash flow. To ensure the protection of customer prepayment and deposits, if requested by the Commission, Zone would be willing to obtain an Indemnity Bond to the People of the State of South Dakota in the amount of \$25,000.

ARSD 20:10:24:02(12) is inapplicable, as all services Zone proposes to provide are competitive.

(16) Other information requested by the Commission needed to demonstrate that the applicant has sufficient technical, financial, and managerial capabilities to provide the interexchange services it intends to offer consistent with the requirements of this chapter and other applicable rules and laws.

The narrative in Sections II and III, below, further describes the managerial, technical and financial qualifications of Zone. Zone will abide by all applicable statutes, orders, rules, and regulations entered and adopted by the Commission.

II. THE APPLICANT

Zone is an indirect, wholly-owned subsidiary of e-Kong Group Limited ("e-Kong Group"), a widely-held Bermuda corporation whose stock is listed on the Hong Kong Stock Exchange. ^{1/} e-Kong Group's principal office and place of business is located at Suite 2101-3, K. Wah Centre, 191 Java Road, North Point, Hong Kong. The only individual or entity holding more than ten percent of the issued and outstanding voting stock of e-Kong Group is Goldtron Limited, a Singapore corporation, which has an 11.12 percent non-controlling voting stock interest.

e-Kong Group is a prominent Hong Kong-based Internet and telecommunications company. In Hong Kong and Singapore, e-Kong Group, through wholly-owned affiliates, engages in the resale of international telecommunications services through a unique scalable and portable service portal that provides its customers with access to a wide range of carriers at a single source, thereby enabling users to select the most competitive prices for their calls. e-Kong Group has approximately 320 employees world-wide.

^{1/} A chart depicting the ownership structure of Zone is attached hereto as Exhibit D.

III. ZONE POSSESSES THE REQUISITE MANAGERIAL, TECHNICAL AND FINANCIAL QUALIFICATIONS TO RECEIVE THE REQUESTED AUTHORITY

As demonstrated herein, Zone possesses the requisite managerial, technical and financial qualifications to provide the services for which Commission authority is being requested.

A. Managerial Qualifications

Zone is an indirect wholly-owned subsidiary of e-Kong Group, a Hong Kong-based Internet and telecommunications company. Zone's executive managers, who are drawn from the management ranks of e-Kong Group, collectively have more than fifty years of experience in the design and operation of communications systems and services. As shown below, Zone's senior executives are experienced in sales, service, implementation, marketing and management of telecommunications service providers, and therefore possess the requisite managerial qualifications to provide telecommunications service in South Dakota:

Name and Title	Background
Derrick Bulawa, President and Chief Executive Officer, Director	Mr. Bulawa is CEO of e-Kong Group, and has 15 years of Internet and communications experience in the United States and Asia. Prior to joining e-Kong Group, Mr. Bulawa held senior executive and operational positions with, among others, STAR TV, UNIFI Communications, and GTE Spacenet.
Lawton Bloom, Vice President and Secretary	Mr. Bloom is Vice President, Strategy – North America, of e-Kong Group, and has extensive experience in managing enhanced voice and data services. Previously, he held management positions at UNIFI Communications and has acted as a court-appointed receiver for a U.S. long distance reseller.

Name and Title	Background
Robbin Wells, Chief Technology Officer	Mr. Wells is Vice President, Technology, of e-Kong Group, and has more than 22 years of technology experience, including the development of IP networks across North America, Europe and Asia.
Jeffrey Fraser Vice President of Product Development	Mr. Fraser is Vice President, Regional e-Business, of e-Kong Group, and has extensive experience in developing and operating enhanced voice and data services. Previously he has held management positions at oCen Communications, GTE Internetworking and UNIFI Communications.
Jeffrey Cheng, Chief Financial Officer and Treasurer	Mr. Cheng is Chief Financial Officer of e-Kong Group, where he is responsible for overall financial management of the company.
Steven D. Pohl Assistant Secretary	Mr. Pohl is Assistant Secretary of Zone Telecom, Inc. He also serves as Zone's counsel in matters relating to business transactions.

B. Technical Qualifications

Zone's ultimate corporate parent, e-Kong Group, through wholly-owned subsidiaries, engages in the resale of international telecommunications services in Hong Kong and Singapore through a unique scalable and portable service portal that provides its customers with access to a wide range of carriers at a single source, thereby enabling users to select the most competitive prices for their calls.

More generally, e-Kong Group focuses on the development of scalable and globally portable e-commerce and service portals offering a single point-of-presence for products and services. e-Kong Group specializes in the creation of business-to-business and mass market e-commerce platforms through which on-line customers can have immediate access to many offerings across a particular sector and can pick and mix products and services to suit their needs.

As described above, Zone's executive managers are drawn from the ranks of e-Kong Group's management. Accordingly, Zone has ample experience providing telecommunications services, and will possess the technical expertise and qualifications necessary to do so in South Dakota.

C. Financial Qualifications

Zone, through the strong cash position and creditworthiness of e-Kong Group, its ultimate parent corporation, has access to sufficient capital in order to provide competitive telecommunications services in South Dakota. ^{2/}

**IV. GRANT OF THE REQUESTED AUTHORITY
IS IN THE PUBLIC INTEREST**

Grant of the authority requested herein will facilitate competition in the provision of a variety of telecommunications services in South Dakota. The public interest also will be served through Zone's proposed services by contributing to the full utilization of existing interexchange telecommunications plant and by providing cost effective rates for interexchange telecommunications services. As explained above, Zone's corporate parent, e-Kong Group, is a leader in the development and deployment of innovative competitive telecommunications services that aim, above all, to provide customers with flexibility and choice. Zone will be guided by the same principles as it enters the telecommunications marketplace in South Dakota.

^{2/} As noted above, the 1999 Annual Report for e-Kong Group, which includes a consolidated income statement, consolidated statement of recognised gains and losses, balance sheets, and consolidated cash flow statement for the years ending December 31, 1998, and December 31, 1999, is submitted as Exhibit C hereto.

By virtue of its affiliation with e-Kong Group, Zone is well qualified to provide reliable competitive telecommunications services to residential and business customers in South Dakota. Zone's management will bring to bear the expertise of its parent company in the provision of efficient, innovative and reliable telecommunications services throughout South Dakota.

V. DESIGNATED CONTACTS

The designated primary contacts for this application are:

Mace J. Rosenstein
Marissa G. Repp
Hogan & Hartson L.L.P.
555 Thirteenth Street, NW
Washington, DC 20004-1109
Tel: 202-637-5600
Fax: 202-637-5910
E-mail: mjrosenstein@hhlaw.com
mgrepp@hhlaw.com

Copies of all correspondence, notices and orders pertaining to this Application also should be sent to:

Lawton Bloom
Vice President and Secretary
Zone Telecom, Inc.
279 Harvard Street, Suite 21
Cambridge, MA 02139
Tel: 617-876-3002
Fax: 617-687-7791
E-mail: lbloom@mindspring.com

CONCLUSION

For the reasons described above, Zone respectfully requests that the Commission grant it the approval requested herein on an expedited basis. ^{3/}

Respectfully submitted,

ZONE TELECOM, INC.



Lawton Bloom
Vice President and Secretary
Zone Telecom, Inc.
279 Harvard Street, Suite 21
Cambridge, MA 02139
Tel: 617-876-3002

Mace J. Rosenstein
Marissa G. Repp
Hogan & Hartson L.L.P.
555 Thirteenth Street, N.W.
Washington, D.C. 20004 -1109
Tel: 202-637-5600

Its Attorneys

Dated: August 22, 2000

^{3/} A copy of Zone's tariff to provide service in South Dakota is attached at Exhibit E hereto.

LIST OF EXHIBITS

- EXHIBIT A Certificate of Incorporation of Zone Telecom, Inc.
- EXHIBIT B State of South Dakota Certificate of Good Standing Foreign Corporation for Zone Telecom, Inc.
- EXHIBIT C e-Kong Group Limited Annual Report 1997
- EXHIBIT D Chart of Ownership Structure of Zone Telecom, Inc.
- EXHIBIT E Tariff of Zone Telecom, Inc.

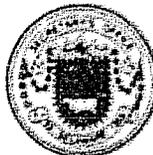
EXHIBIT A

**CERTIFICATE OF INCORPORATION
OF ZONE TELECOM, INC.**

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "ZONE TELECOM, INC.", FILED IN THIS OFFICE ON THE THIRTEENTH DAY OF JUNE, A.D. 2000, AT 2 O'CLOCK P.M.

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



Handwritten signature of Edward J. Freel in cursive script.

Edward J. Freel, Secretary of State

3242585 8100

001299580

AUTHENTICATION: 0495091

DATE: 06-14-00

CERTIFICATE OF INCORPORATION

OF

ZONE TELECOM, INC.

The undersigned, a natural person, for the purposes of organizing a corporation for conducting the business and promoting the purposes hereinafter stated, under the provisions and subject to the requirements of the laws of the State of Delaware (particularly Chapter 1, Title 8 of the Delaware Code and the acts amendatory thereof and supplemental thereto, and generally known as the "General Corporation Law of the State of Delaware"), hereby certifies that:

FIRST: The name of the corporation (hereinafter called the "Corporation") is Zone Telecom, Inc.

SECOND: The address, including street, number, city, and county, of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, City of Wilmington, County of New Castle, State of Delaware 19801; and the name of the registered agent of the Corporation in the State of Delaware at such address is The Corporation Trust Company.

THIRD: The nature of the business and the purposes to be conducted and promoted by the Corporation, shall be to engage in any lawful business, to promote any lawful purpose, and to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is Three Thousand (3,000) shares of Common Stock, \$0.01 par value per share.

FIFTH: The name and the mailing address of the incorporator are as follows:

NAME

Steven D. Pohl

ADDRESS

c/o Brown, Rudnick, Freed & Gesmer
One Financial Center
Boston, MA 02111

SIXTH: The Corporation shall have perpetual existence.

SEVENTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this

Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code under a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

EIGHTH: For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation and of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

1. The business of the Corporation shall be conducted by the officers of the Corporation under the supervision of the Board of Directors.
2. The number of directors which shall constitute the whole Board of Directors shall be fixed by, or in the manner provided in, the By-Laws. No election of Directors need be by written ballot.
3. The Board of Directors of the Corporation may adopt, amend or repeal the By-Laws of the Corporation at any time after the original adoption of the By-Laws according to Section 109 of the General Corporation Law of the State of Delaware; provided, however, that any amendment to provide for the classification of directors of the Corporation for staggered terms pursuant to the provisions of subsection (d) of Section 141 of the General Corporation Law of the State of Delaware shall be set forth in an amendment to this Certificate of Incorporation, in an initial By-Law, or in a By-Law adopted by the stockholders of the Corporation entitled to vote.

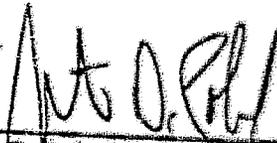
NINTH: The Corporation may, to the fullest extent permitted by Section 143 of the General Corporation Law of the State of Delaware, as the same may be amended and supplemented, indemnify any and all persons whom it shall have power to indemnify under said section from and against any and all of the expenses, liabilities or other matters referred to in or covered by said section, and the indemnification provided for herein shall not be deemed exclusive of any other rights to which a person indemnified may be entitled under any By-Law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

06/15/00 15:45 FAX 0170308201 BRPAQ BOSTON

TENTH: From time to time any of the provisions of this Certificate of Incorporation may be amended, altered or repealed, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted in the manner and at the time prescribed by said laws, and all rights at any time conferred upon the stockholders of the Corporation by this Certificate of Incorporation are granted subject to the provisions of this Article TENTH.

ELEVENTH: No director shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty by such director as a director. Notwithstanding the foregoing sentence, a director shall be liable to the extent provided by applicable law (i) for breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this paragraph (b) of this Article ELEVENTH shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such Director occurring prior to such amendment.

Signed on the 13th day of June, 2000.



Steven D. Pohl, Incorporator

EXHIBIT B

**STATE OF SOUTH DAKOTA CERTIFICATE OF GOOD STANDING
FOREIGN CORPORATION FOR ZONE TELECOM, INC.**

State of South Dakota

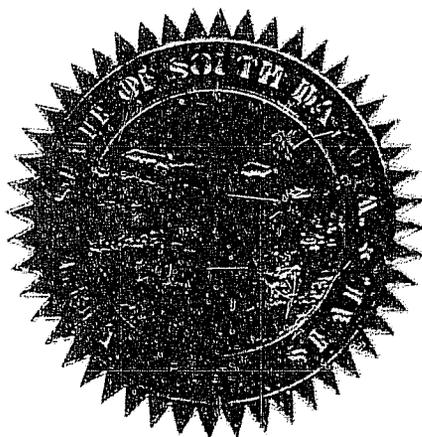


OFFICE OF THE SECRETARY OF STATE

Certificate of Good Standing Foreign Corporation

I, **JOYCE HAZELTINE**, Secretary of State of the State of South Dakota, do hereby certify that **ZONE TELECOM, INC. (DE)** was authorized to transact business in this state on **July 25, 2000**. I further certify that said corporation has complied with the South Dakota law governing foreign corporations transacting business in this state, and so far as the records of this office show, said corporation is in good standing in this State at the date hereof and duly authorized to transact business in the State of South Dakota. This certificate is not to be construed as an endorsement, recommendation or notice of approval of the corporation's financial condition or business activities and practices. Such information is not available from this office.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this August 11, 2000.



Joyce Hazeltine
Secretary of State

State of South Dakota



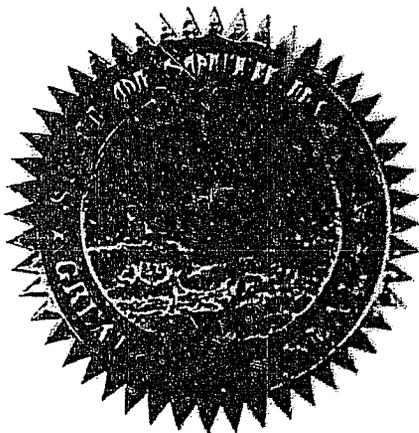
OFFICE OF THE SECRETARY OF STATE

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 **ZONE TELECOM, 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.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this July 25, 2000.



Joyce Hazeltine
Secretary of State

SECRETARY OF STATE
STATE CAPITOL
500 E. CAPITOL
PIERRE, S.D. 57501-5077
605-773-4845
FAX (605) 773-4550

FILE NO _____
RECEIPT NO _____ RECEIVED

JUL 25 2000

APPLICATION FOR CERTIFICATE OF AUTHORITY

Pursuant to the provisions of SDCL 17-8-7, the undersigned corporation hereby applies for a Certificate of Authority to transact business in the State of South Dakota and for that purpose submits the following statement:

- (1) The name of the corporation is Zone Telecom, Inc. (Exact corporate name)
- (2) If the name of the corporation does not contain the word "corporation", "company", "incorporated" or "limited" or does not contain an abbreviation of one of such words, then the name of the corporation with the word or abbreviation which it elects to add thereto for use in this state is _____
- (3) State where incorporated Delaware Federal Taxpayer ID# 04-1520964
- (4) The date of its incorporation is June 13, 2000 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 The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware Zip Code 19801
- 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 c/o C T Corporation System, 319 S. Coteau Street, Pierre, South Dakota Zip 57501 and the name of its proposed registered agent in the State of South Dakota at that address is _____

C T Corporation System

(7) The purposes which it proposes to pursue in the transaction of business in the State of South Dakota are: (state specific purpose) _____
To engage in the telecommunications business and any act or activity permitted a corporation under the laws of the State of South Dakota

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

Name	Officer Title	Street Address	City	State	Zip
See attached list of directors and officers,	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

(9) The aggregate number of shares which it has authority to issue, itemized by classes, par value of 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>3,000</u>	<u>Common</u>	<u>(No series)</u>	<u>\$0.01</u>

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

Number of shares	Class	Series	Par value per share or statement that shares are without par value
<u>1,000</u>	<u>Common</u>	<u>(No series)</u>	<u>\$0.01</u>
_____	_____	_____	_____
_____	_____	_____	_____

(11) The amount of its stated capital is \$10.00. Shares issued times par value equals stated capital. In the case of no par value stock, stated capital is the consideration received for the issued shares.

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

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

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

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

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

Dated 7/20 2000


(Signature) Lawton Bloom

Commonwealth
State of Massachusetts
County of Suffolk

Vice President
(Title)

On this 20th day of July, 2000, before me Maura M. Duff personally appeared Lawton Bloom, 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: 6/28/02

Maura M. Duff
(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, C T Corporation System, hereby give my consent to serve as the
(name of registered agent)

registered agent for Zone Telecom, Inc.
(corporate name)

Dated July 21 2000

By: Lauren KREATZ
(signature of registered agent)

SPECIAL ASSISTANT SECRETARY

Zone Telecom, Inc.
Officers and Director

Officers:

Derrick Bulawa	President	c/o e-Kong Group Limited Suite 2101-3, K. Wah Centre 191 Java Road North Point, Hong Kong
Jeffrey Cheng	Treasurer	c/o e-Kong Group Limited Suite 2101-3, K. Wah Centre 191 Java Road North Point, Hong Kong
LAWTON Bloom	Vice President, Secretary	279 Harvard Ave., #21 Cambridge, MA 02139
Steven D. Pohl	Assistant Secretary	c/o Brown Rudnick Freed & Gesmer One Financial Center Boston, MA 02111

Director:

Derrick Bulawa	Director	c/o e-Kong Group Limited Suite 2101-3, K. Wah Centre 191 Java Road North Point, Hong Kong
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Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "ZONE TELECOM, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTIETH DAY OF JULY, A.D. 2000.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE NOT BEEN ASSESSED TO DATE.



Edward J. Freel

Edward J. Freel, Secretary of State

3242585 8300

001367973

AUTHENTICATION:

0571201

DATE:

07-20-00

e-KONG GROUP LIMITED ANNUAL REPORT 1999

e-Kong Group Limited

Annual Report

1999

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Corporate Information

BOARD OF DIRECTORS

Executive

Mr. Richard John Siemens (*Chairman*)
Mr. Ong Soon Kiat
Mr. Derrick Francis Bulawa
Mr. Lim Shyang Guey

Non-executive

Mr. Mokhzani Bin Mahathir
Mr. Peng Chian Chua

Independent non-executive

Mr. Ngan Chor Man
Mr. Fung Che Kwong, Peter

AUDIT COMMITTEE

Mr. Ngan Chor Man
Mr. Fung Che Kwong, Peter

COMPANY SECRETARY

Ms. Wang Poey Foon, Angela

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

Suite 2101-3
R. Wai Centre
181 Ave Road
North Point
Hong Kong

SOLICITORS

Messrs. Angela Wang & Co.
Messrs. Conyers, Dill & Peckham

AUDITORS

Mosses Rowland

HONG KONG BRANCH REGISTRAR

Secretaries Limited

PRINCIPAL BANKERS

Bank of China
The Hongkong and Shanghai Banking
Corporation Limited

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of e-Kong Group Limited (the "Company") will be held at Coral Room 2, 3rd Floor, Furama Hotel, 1 Connaught Road, Central, Hong Kong, on Thursday, 1 June 2000 at 2:30 p.m. for the following purposes:

1. to receive and consider the audited financial statements and the reports of directors and auditors for the year ended 31 December 1999;
2. to re-elect retiring directors and to fix their remuneration;
3. to re-appoint Messrs. Moores Rowland as auditors of the Company and to authorise the board of directors to fix their remuneration;
4. as special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"THAT

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution and the said approval shall be limited accordingly; and
- (c) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

Notice of Annual General Meeting (Cont'd)

(iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held."

5. as special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"THAT

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) an issue of shares under any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, (iii) the exercise of redemption or conversion rights attaching to the non-cumulative convertible redeemable preference shares of HK\$1.00 each in the capital of the Company or (iv) an issue of shares as scrip dividend pursuant to the Bye-laws of the Company from time to time, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;

Notice of Annual General Meeting (Cont'd)

- (ii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and
- (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held.

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to the holders of shares of the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

6. as special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"THAT conditional upon the Resolution No. (4) and (5) set out in the notice convening this meeting being passed, the aggregate nominal amount of the number of shares which are repurchased by the Company after the date of passing of this Resolution (up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution) shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to Resolution No. (5) set out in the notice convening this Meeting."

7. to transact any other business.

By Order of the Board

Wang Poey Foon, Angela
Company Secretary

Hong Kong, 19 April 2000

Notice of Annual General Meeting (Cont of

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote in his stead. A member may appoint a proxy in respect of part only of his holding of shares. A proxy need not be a member of the Company.
2. In case of joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, whether in person or by proxy, that one of such persons to present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy completed in accordance with the instructions set out herein, together with a power of attorney, if any, under which it is signed, or a notarially certified copy thereof, must be deposited at the Hong Kong Branch Registrars of the Company, Secretaries Limited, of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting. The completion and depositing of the form of proxy will not preclude the member from attending the meeting and voting in person, if he or she so wishes. In the event that a member attends the meeting, his form of proxy will be deemed to have been revoked.
4. An explanatory statement containing further details regarding Resolutions 4 to 6 above will be sent to shareholders.
5. The register of members of the Company will be closed from 26 May 2000 to 1 June 2000, both days inclusive, during which period no transfer of shares will be effected.

In order to determine entitlement to attend and vote at the annual general meeting, all transfer of shares accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Registrars, Secretaries Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration by not later than 4:00 p.m. on 22 May 2000.

Chairman's Statement

It is my pleasure to deliver my first report to you. I assumed the position of Chairman of the Board in January 2000, and have since spent substantial amount of my time with other board members in formulating the Group's direction and strategy for future expansion. Our challenge was to transform the Group into a more diversified enterprise with an emphasis on internet-related businesses.

The Group has been through a period of transition in 1999. During the year, its existing business continued to suffer from sluggish market conditions and adverse economic environment in Asia. The Group implemented a series of proactive measures with an aim to reallocate its resources and to enable the management to focus more on higher growth Internet-related business. Accordingly, the Group has disposed of its interest in most of its non-performing investments. The disposal and provision resulted in a loss of HK\$65 million, which accounted for most of the loss recorded in 1999.

Turnover of the Group had been affected by a decline in sales of one of our subsidiaries, Colorland Animation Productions Limited, an animation production house in Shenzhen. The production house's profitability had been put under the pressure of accelerated competition and increasingly challenging market environment.

In the past few months, substantial management resources have been placed in creating or acquiring industry convergent service portals, establishing partnerships with companies targeting the Asian Internet market, and making strategic investments in technologies, contents or service providers that can complement the Group's business.

Our mission in the Internet market is to develop a series of clearly branded, scalable and globally portable e-commerce and service portals offering a single point-of-presence for products and services. We aim to remove market barriers of traditional business by creating a business-to-business (B2B) and mass market e-commerce platform on the Internet. Through us, on-line customers can have immediate access to many offerings across a particular sector and they can pick and mix products and services to suit their needs.

We have completed a number of investments between December 1999 and March 2000. These investments were of strategic significance for the Group's continued growth and enhancement of shareholders' value.

The Group has successfully launched a unique service portal, ZONE1511 in March 2000, which is scalable and portable. ZONE1511 offers its users a wide range of local and international IDD carriers at a single source, and enabling the users to select the most competitive prices for their IDD calls.

Chairman's Statement (Cont'd)

The Group's service portals do not rely purely on creative concepts, they are supported by practical business models, feasible real-world operations, existing market demands and real revenue streams. We expect these service portals will bring in substantial revenue for the year 2000.

In 2000, we will launch a number of new service portals targeting different industries, including the insurance and travel service.

In less than six months, the Group's new management has successfully developed a solid business framework, and has established the Group as a prominent Hong Kong-based Internet company with an Asian focus.

In the world of Internet, it is the people that counts for the success of one's business. The management has built up, within a relatively short period of time, a pool of multi-national talents with proven experience and in-depth knowledge in the Internet and information technology industries. The team of experts has become the major driving force behind the Group's rapid expansion and achievements.

We will capitalize on our strengthened cash position (no debt-gearing) and talented management team to enlarge our market share and scale of operations, both through organic expansion and equity acquisition.

Our focus on developing a range of service portals with mass appeal, our partnership with other Internet and technology companies, and our strategic investment in technology, contents and service providers, form an inter-related and balanced business portfolio enabling the Group to benefit from stable recurrent income from a large defensible revenue stream, and to leverage on its strategic investment for substantial capital gain. I am, therefore, optimistic about the future prospects of the Group.

Richard John Siemens
Chairman

Hong Kong, 19 April 2000

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 December 1999.

CHANGE OF NAME

Pursuant to a Special Resolution passed on 10 December 1999 and the approval of the Registrar of Companies of Bermuda on the even date, the name of the Company was changed from Goldtron Holdings Limited to e.Kong Group Limited.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out in note 11 to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to operating loss by principal activities and geographical locations for the year ended 31 December 1999 is as follows:

By activity:

	Turnover HK\$'000	Contribution to operating loss HK\$'000
Sales of animated films	44,210	6,537
Telecommunication services	1,035	(985)
	<u>45,245</u>	<u>5,552</u>
Add: Interest and investments income		1,493
Less: Other operating expenses		<u>(62,215)</u>
Loss before taxation		<u>(75,170)</u>

Report of the Directors (Cont'd)

SEGMENTAL INFORMATION (Cont'd)

By geographical area:

	Turnover HK\$ '000	Contribution to operating loss HK\$ '000
Hong Kong	1,035	(283)
North/South America	759	131
Europe	31,094	(1,575)
Australia	12,357	730
	<u>45,245</u>	<u>513</u>
Add: Interest and investments income		149
Less: Other operating expenses		<u>(82,215)</u>
Loss before taxation		<u>(76,653)</u>

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 1999 are set out in the Consolidated Income Statement on page 20.

The directors do not recommend the payment of dividends for the year ended 31 December 1999 (1998: Nil).

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 51 and 52.

MAJOR CUSTOMERS AND SUPPLIERS

Approximately 69% (1998: 48%) and 98% (1998: 95%) of the Group's total reported revenue were attributable to the largest customer and five largest customers respectively. At no time during the year have the directors, their associates, nor those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital had any interest in the five largest customers.

The percentage of the Group's total expenditure on purchases of goods and services attributable to the Group's five largest suppliers was less than 5% during the year.

Report of the Directors (Cont'd)

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group are set out in note 10 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 21 to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Richard John Siemens (Chairman)	(Appointed on 24 January 2000)
Mr. Ong Soon Kiat	
Mr. Derrick Francis Bulawa	(Appointed on 22 October 1999)
Mr. Lim Shyang Guey	(Appointed on 1 October 1999)
Mr. Tan Siak Kwang, Frankie	(resigned on 15 June 1999)

Non-executive directors:

Mr. Mokhzani Bin Mahathir	
Mr. Peng Chian Chua	
Dato Jaffar Mohd Ali	(resigned on 30 August 1999)

Independent non-executive directors:

Mr. Ngan Chor Man	
Mr. Fung Che Kwong, Peter	

In accordance with the Bye-laws of the Company, Mr Ong Soon Kiat, Mr. Derrick Francis Bulawa and Mr. Lim Shyang Guey shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Report of the Directors (Cont'd)

DIRECTORS' INTERESTS IN SHARES

As at 31 December 1999, the directors had the following interests in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or the Model Code for Securities Transactions by Director of Listed Companies (the "Model Code")) as recorded in the register maintained pursuant to section 33 of the SDI Ordinance:

Name of directors	Number of shares beneficially held		Number of share options
	Personal interest	Corporate interest	
Ong Soon Kiat	5,000,000	=	9,168,988 (para 2)
Derrick Francis Bulawa	=	=	28,961,235 (para 2)
Lim Shyang Guey	=	=	4,500,000 (para 3)

Notes:

- 9,168,988 share options have been granted under the Employee Share Option Scheme of the Company which are exercisable at the exercise price of HK\$0.42 per share over the period ending 24 October 2000.
- 28,961,235 share options have been granted under the Employee Share Option Scheme of the Company during the year in which 23,961,235 share options are exercisable at the exercise price of HK\$0.42 per share for the period from 24 October 2000 to 24 October 2009, in which 4,750,000 share options are exercisable at the exercise price of HK\$0.42 per share for the period from 16 November 2000 to 24 October 2009, and in which 450,000 share options are exercisable at the exercise price of HK\$0.60 per share for the period from 23 December 2000 to 24 October 2009.
- 4,500,000 share options have been granted under the Employee Share Option Scheme of the Company which are exercisable at the exercise price of HK\$0.42 per share for the period from 25 October 2000 to 24 October 2009.

Apart from the above, no other contracts of significance to which the Company or any of its subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENT TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

The Company has a share option scheme. Details of share options granted to or exercised by the directors during the year and their outstanding options at 31 December 1999 are shown above. Details of the share option scheme of the Company are set out in note 23 to the financial statements.

Report of the Directors (Cont'd)

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than normal statutory compensation.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that as at 31 December 1999, the Company was notified that the following shareholders had an interest of 10% or more of the issued share capital of the Company:

Name	Ordinary shares held	Percentage of total issued shares capital
Goldtron Limited	128,906,172	11.12%

SHARE CAPITAL

Details of movements in the Company's share capital during the year and the purpose of the share issues are set out in note 19 to the financial statements.

PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars regarding the principal subsidiaries of the Company are set out in note 11 to the financial statements.

LIQUIDITY

Working capital of the Group increased from HK\$6,128,000 to HK\$101,406,000 during the year. The increase primarily represents an increase in cash and bank deposits as a result of issuance and placement of new ordinary shares during the year. Cash and bank deposits as at 31 December 1999 were HK\$99,875,000.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group has no bank loans, overdrafts and other borrowings as at 31 December 1999. There was no interest capitalised by the Group during the year.

Report of the Directors (Cont'd)

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

RETIREMENT BENEFITS SCHEME

Details of the Retirement Benefits Scheme are set out in note 6 to the financial statements.

PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT EXECUTIVES

Brief biographical details of the directors and senior management executives of the Company are set out on pages 16 to 18 under Directors and Senior Management Profile of this Annual Report.

REMUNERATION POLICIES AND EMPLOYEE RELATIONS

As at 31 December 1999, the Group employed approximately 320 full-time employees. All full-time salaried employees except for contract employees are being paid on a monthly basis plus other staff benefits.

Neither the Company nor any of its subsidiaries has established a labour union and is not subject to any collective agreement. The Group has maintained good relationships with its employees and has not experienced any labour disputes. None of the Group's employees is represented by a labour union.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, save and except that the independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year.

AUDIT COMMITTEE

Pursuant to the Listing Rules of the Stock Exchange, an audit committee, comprising two independent non-executive directors, namely Mr. Ngan Chor Man and Mr. Fung Che Kwong, FMR, was established in September 1999.

Report of the Directors (Cont'd)

AUDIT COMMITTEE (Cont'd)

By reference to "A guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the Board of the Company on the same date. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

YEAR 2000 COMPLIANCE

The Group has stated its definition and approach to Year 2000 problem, and reported the status in our 1998 annual report and 1999 interim report.

No reports on Year 2000-induced incidents have been received within the Group during the rollover to Year 2000 or the leap year date of 29 February 2000. The Company and its subsidiaries passed the rollover smoothly without need to activate any contingency procedures.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda although there are no restrictions against such rights under the laws in Bermuda.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Moores Rowland, Chartered Accountants, Certified Public Accountants.

On behalf of the Board

Richard John Siemens
Chairman

Hong Kong, 19 April 2000

Directors and Senior Management Profile

Brief biographical details in respect of directors and senior management:

DIRECTORS

Mr. Richard John Siemens, 55, Chairman, joined the Group on 24 January 2000. Mr. Siemens is Chairman and a founding member of Distacom Communications Limited. He has been involved in the telecommunications industry for 26 years. Born and raised in Canada, Mr. Siemens was trained as a Chartered Accountant and came to Hong Kong in 1979. In 1984, he was involved in the establishment of Hutchison Telephone Company Limited with Hutchison Whampoa Limited ("Hutchison") and Motorola. Mr. Siemens, as Group Managing Director of Hutchison Telecommunications Limited, was also involved in the establishment of other well-known companies including AsiaSat, STAR TV and Metro Radio and Hutchison's move into the European wireless business with "Orange", as well as Hutchison's European paging strategy.

Mr. Ong Soon Kiat, 51, was firstly appointed as Chairman and Executive Director of the Group in July 1994. He was an executive director in 1999 and stepped down as Chairman of the Group in January 2000. Mr. Ong has extensive business experience in South East Asia and the People's Republic of China ("PRC").

Mr. Derrick Francis Bulawa, 36, joined the Group in September 1999 as Chief Executive Officer and was appointed on 22 October 1999 as executive director. Mr. Bulawa has 15 years of Internet and communications experience in the United States and Asia, with 10 years in Hong Kong. He is responsible for strategic development, as well as the overall executive management of the Group. Before joining the Group, he was one of the early members of Mr. Richard Li's HutchVision team that launched and founded STAR TV, serving as Vice President of Satellite & Technical Operations from 1991. He was promoted to General Manager after News Corporation bought a 63 per cent stake. Mr. Bulawa was then appointed Senior Technical Advisor of the Pacific Century Group, following the sale of the remaining 37 per cent of STAR TV to News Corporation. More recently, Mr. Bulawa was Chief Operating Officer of UNIFI Communications, an Internet-focused venture backed by Singapore Telecom which ranked Number 20 on the 'INC 500' list of fastest growing US-based companies in 1997. Prior to working for STAR TV, he spent six years working for GTE SpaceNet and Contel ASC in the Asian satellite, data and telecommunications sectors. He has a Bachelor of Science degree in Electronic Engineering Technology from the DeVry Institute of Technology in the United States.

Mr. Lim Shyang Guey, 41, was appointed as executive director and Vice-President Corporate Development on 1 October 1999. Mr. Lim is responsible for executing the Group's corporate strategy and looking after major shareholder issues. He has more than 12 years of experience in telecommunications and information technology in various countries including New Zealand, Russia, Malaysia and Singapore. Before joining

Directors and Senior Management Profile (Cont'd)

the Group, he was General Manager of Goldtron Electronics Pte Ltd in Singapore in charge of developing manufacturing and marketing the company's proprietary telecommunications products, including pagers, GSM cellular phones and DECT cordless phones. Previously, Mr. Lim was Project Director of Goldtron Network Services Pte Ltd, also in Singapore, responsible for managing its telecommunications joint-venture operations in Russia, which provided local telephone, GSM cellular and paging services. Mr. Lim joined Goldtron Network Services Pte Ltd from Telecom New Zealand where he led projects relating to microwave and fibre optics transmission, and broadband cable TV. He has a Bachelor of Engineering and a Master of Engineering degree from the University of Auckland in New Zealand.

Mr. Mokhzani Bin Mahathir, 39, was appointed as non-executive director of the Group in 1999. Mr. Mahathir is the executive chairman of Tongkah Holdings Berhad, a publicly listed company in Malaysia and since 1993, a non-executive director of Goldtron Limited.

Mr. Peng Chian Chua, 55, was appointed as executive director in July 1994 and became a non-executive director of the Group in 1999. Mr. Peng has more than 20 years' working experience in manufacturing with various multinational companies.

Mr. Fung Che Kwong, Peter, 50, was appointed as an independent non-executive director of the Company since 1994. He is a Hong Kong based businessman with almost 20 years' experience in the textile industry.

Mr. Ngan Chor Man, 33, was appointed as an independent non-executive director of the Company since 1997. He is a Hong Kong based businessman with 6 years experience in the information technology and in PRC.

SENIOR MANAGEMENT

Mr. Kim Moon-Tae Grant, 26, joined the Group as Vice-President Business Development in September 1999. Mr. Kim has extensive experience in investment banking, telecommunications and the Internet in both the United States and Asia. He directs the strategy of new businesses and investments for the Group. His previous roles have included Vice President of Operations of UNIFI Communications ("UNIFI") where he managed the company's core Telecommunications, Network Operations, Systems Engineering, Service Fulfilment and Project Management groups. Prior to this, he was Director of Telecommunications and Business Development, where he pioneered and expanded the global data and switching businesses, working closely with some of the world's premier telecommunications carriers and Internet Service Providers. Before UNIFI, Mr. Kim worked with Pacific Century Group, Continental Development Corporation, and Singapore Telecom in various senior management and Mergers & Acquisitions advisory positions. Mr. Kim studied at the Wharton School, Harvard University and Oxford University.

Directors and Senior Management Profile

Mr. Robbin Wells, 43, joined the Company in October 1999 as Vice-President Technology. Mr. Wells has more than 22 years of technology experience, having extensive experience developing IP networks across North America, Europe and Asia. He was previously Head of Technology for UNIFI Communications, a first-generation IP messaging company, where he designed and expanded its global network to more than 1000 platforms spanning 15 countries. He also served as Senior Technical Advisor to a R&D team of 120 developers focusing on IP and Internet software. Prior to UNIFI, Mr. Wells worked for Prime Computer as Principal Engineer in the Small Systems Group, one of the first companies to market products using Object Oriented Technology. During the 70's and 80's, he was Chief Engineer for W.F. Wood, a pioneer in the use of automated manufacturing technologies.

Ms. Leung Kit-Mee Judy, 36, joined the Group as Vice-President Marketing in January 2000. Ms. Leung has a wealth of experience in the telecommunications industry in Hong Kong especially as it relates to start-up operations. She is responsible for the marketing activities of the Group. Prior to joining the Group, Ms. Leung was one of the founding employees at New T&T, a Hong Kong based telecommunications company. Throughout her tenure there, she held increasing levels of responsibility all in the marketing area. Most recently she was the Senior Manager of Marketing Promotions where she was responsible for devising promotion strategies, and developing and implementing comprehensive advertising, publicity and promotional programmes. Before New T&T, she was the Public Relations Manager at Hongkong Telecom. Ms. Leung is a graduate of the University of Aston in Birmingham, England with a Masters Degree in Business Administration.

Mr. Cheng Man-For Jeffrey, 35, joined the Company as Chief Financial Officer in October 1999. Mr. Cheng has more than 10 years finance and accountancy experience in PRC, Taiwan and Hong Kong. He is responsible for overall financial management and company secretarial duties of the Group. He was previously Director of Finance at Fax International HK Ltd. Mr. Cheng began his career with KPMG Peat Marwick before joining The Stock Exchange of Hong Kong Limited. Mr. Cheng is a fellow member of the Association of Chartered Certified Accountants (ACCA) and an associate member of the Hong Kong Institute of Company Secretaries (HKICS).

Auditors' Report

To the members

e-Kong Group Limited

(formerly known as Goldtron Holdings Limited)

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 20 to 50 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 1999 and of the loss and cash flows of the Group for the year that ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moores Rowland

Chartered Accountants

Certified Public Accountants

Hong Kong, 19 April 2000

Consolidated Income Statement

For the year ended 31 December 1999

e-Kong Group Limited

	Note	1999 HK\$'000	1998 HK\$'000
Turnover	3	45,245	54,334
Cost of sales		<u>(23,104)</u>	<u>(20,833)</u>
Gross profit		22,141	33,501
Other revenue	3	1,493	893
Distribution and selling expenses		(480)	(94)
Administrative expenses		<u>(25,283)</u>	<u>(23,840)</u>
Other operating expenses		<u>(8,062)</u>	<u>(5,048)</u>
(Loss)/Profit from operations		(10,191)	5,412
Loss on disposal of subsidiaries		(33,673)	—
Loss on disposal of a jointly controlled entity		(11,284)	—
Loss on associates written off		(4,590)	—
Provision for diminution in value of long-term investments		(15,432)	—
Provision for diminution in value of associates		—	(43,586)
Provision for long-term receivable		—	<u>(17,149)</u>
Loss before taxation	4	(75,170)	(55,323)
Taxation	7	<u>(739)</u>	<u>(1,763)</u>
Loss from ordinary activities after taxation		(75,909)	(57,086)
Minority interests		<u>(2,499)</u>	<u>(6,469)</u>
Net loss attributable to shareholders	8 & 21	<u>(78,408)</u>	<u>(63,555)</u>
Loss per share			
Basic	9	<u>(11.5 cents)</u>	<u>(14.3 cents)</u>

Consolidated Statement of Recognised Gains and Losses

For the year ended 31 December 1999

	Note	1999 HK\$ '000	1998 HK\$ '000
Exchange reserve released on associates written off	21	36,250	—
Other capital reserve released on associates written off	21	<u>(31,660)</u>	<u>—</u>
Net gains not recognised in the consolidated income statement		4,590	—
Net loss for the year	21	<u>(78,408)</u>	<u>(63,555)</u>
Total recognised losses		<u>(73,818)</u>	<u>(63,555)</u>
Goodwill eliminated directly against reserves	21	<u>(62,761)</u>	<u>—</u>
		<u>(136,579)</u>	<u>(63,555)</u>

Consolidated Balance Sheet

As at 31 December 1999

ASSETS	Note	1999 HK\$'000	1998 HK\$'000
Non-current assets			
Property, plant and equipment	10	10,469	11,380
Intangible assets	12	781	—
Goodwill	13	—	33,673
Interest in a jointly controlled entity	14	—	12,484
Long-term investments	15	4,267	12,642
Investment securities	16	778	—
		<u>16,295</u>	<u>70,179</u>
Current assets			
Inventories	17	595	1,074
Trade receivables		6,888	5,343
Deposits paid		5,643	268
Prepayments and other receivables		2,751	4,341
Due from related companies		—	824
Cash and cash equivalents		99,875	3,555
		<u>115,752</u>	<u>15,406</u>
Current liabilities			
Trade payables		2,342	406
Receipts in advance		6,305	2,723
Accrued charges and other payables		5,591	5,261
Due to a shareholder	18	19	199
Taxation		89	689
		<u>14,346</u>	<u>9,278</u>
Net current assets		<u>101,406</u>	<u>6,128</u>
Total assets less current liabilities		<u>117,701</u>	<u>76,307</u>
Minority interests		<u>(12,441)</u>	<u>(10,739)</u>
NET ASSETS		<u>105,260</u>	<u>65,568</u>
CAPITAL AND RESERVES			
Issued capital	19	194,160	181,340
Reserves	21	(88,900)	(115,772)
		<u>105,260</u>	<u>65,568</u>

Approved by the Board of Directors on 19 April 2000

Richard John Siemens
Director

Derrick Francis Bulawa
Director

Balance Sheet

As at 31 December 1999

ASSETS	Note	1999 HK\$'000	1998 HK\$'000
Non-current assets			
Property, plant and equipment	10	389	476
Interests in subsidiaries	11	78,117	77,145
Investment securities	16	778	—
		<u>79,284</u>	<u>77,621</u>
Current assets			
Deposits paid		1,515	219
Prepayments and other receivables		887	3,504
Due from related companies		—	824
Cash and cash equivalents		94,016	773
		<u>96,418</u>	<u>5,320</u>
Current liabilities			
Accrued charges and other payables		1,135	2,629
Due to a shareholder	18	19	199
Due to subsidiaries		5,470	16,317
		<u>6,624</u>	<u>19,145</u>
Net current assets/(liabilities)		<u>89,794</u>	<u>(13,825)</u>
NET ASSETS		<u>169,078</u>	<u>63,796</u>
CAPITAL AND RESERVES			
Issued capital	19	194,160	181,340
Reserves	21	(25,082)	(117,544)
		<u>169,078</u>	<u>63,796</u>

Approved by the Board of Directors on 19 April 2000

Richard John Siemens
Director

Derrick Francis Bulawa
Director

Consolidated Cash Flow Statement

For the year ended 31 December 1999

	Note	1999 HK\$'000	1998 HK\$'000
Net cash outflow from operating activities	22	(7,893)	(4,112)
Returns on investments and servicing of finance			
Dividends paid to minority shareholders		(800)	(6,400)
Interest received		995	251
Income from unlisted investments		498	642
Net cash inflow/(outflow) from returns on investments and servicing of finance		693	(5,507)
Taxation			
Hong Kong Profits Tax paid		(369)	(309)
Overseas tax paid		(970)	(1,300)
Tax paid		(1,339)	(1,609)
Investing activities			
Purchase of property, plant and equipment		(1,375)	(3,102)
Purchase of intangible assets		(781)	—
Addition of long-term investments		(10,568)	(3,512)
Proceeds from sale of property, plant and equipment		—	83
Purchase of a subsidiary	24	(2,714)	(2,274)
Purchase of investment securities		(778)	—
Increase in interest in a jointly controlled entity		—	(1,200)
Net cash outflow from investing activities		(16,216)	(10,007)
Net cash outflow before financing activities		(24,755)	(21,235)
Financing	26		
Issue of ordinary shares		121,071	8,076
Capital contributed by minority shareholders		3	—
Expenses on repurchase of Company's own shares		—	(20)
Net cash inflow from financing		121,074	8,056
Increase/(Decrease) in cash and cash equivalents		96,319	(13,179)
Cash and cash equivalents at 1 January 1999		3,556	16,735
Cash and cash equivalents at 31 December 1999		99,875	3,556
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		99,875	3,556

Notes to the Financial Statements

For the year ended 31 December 1999

1. GENERAL

The Company is a public listed company incorporated in Bermuda and its ordinary shares are listed on The Stock Exchange of Hong Kong Limited.

Its principal activity is investment holding and those of its subsidiaries are set out in note 11 to the financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the principal accounting policies adopted by the Group is set out below.

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost.

Basis of consolidation

The consolidated financial statements incorporate the audited financial statements of the Company and of its subsidiaries for the year ended 31 December 1999. The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate. Inter-company balances and transactions within the Group have been eliminated on consolidation.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is eliminated against reserves immediately on acquisition or amortised on a straight-line basis to the income statement over its estimated useful economic life. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration, is credited to reserves.

On the disposal of an investment in a subsidiary, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Subsidiaries

A subsidiary is an enterprise, in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors or equivalent governing body. In the Company's balance sheet, investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally recognised as an expense in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the assets.

When the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are discounted to their present values.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvement	Over the remaining lease term
Office equipment, furniture and fittings	10% - 20%
Machinery and equipment	10% - 20%
Motor vehicles	20%

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Intangible assets

Intangible assets comprise business assets acquired and are amortised over their estimated useful lives. Business assets include mainly business plans, business contracts, copyrights and other intellectual property rights.

Long-term investments

Long-term investments represent investments in finished animated films, unfinished animated films and licence fee paid for television and home video rights in finished animated films. They are carried at cost, less provisions for any permanent diminution in value deemed appropriate by the directors and amortisation, where appropriate.

Amortisation is provided to write off the cost of the investments in finished animated films and the licence fee paid for television and home video rights in finished animated films over a period of five years.

No amortisation is provided on an unfinished animated film until it is finished and the distribution is started thereof.

Loans receivable and related production facilities agreements that transfer substantially all the rewards and risks of ownership of investment in finished animated films to the Group, other than legal title, are accounted for as long-term investments. At the inception of the above loans, the amount of loans are capitalised and included in long-term investments and amortised over the loans period. Any unamortised balance is written off to the income statement when the economic value of such investment ceases.

Investment securities

Investment securities held for an identified long-term purpose are stated at cost and subject to impairment review at each reporting date to reflect any diminution in their values, which is expected to be other than temporary. The amount of provisions is recognised as an expense in the period in which the decline occurs.

The profit or loss on disposal of investment securities is accounted for in the period in which the disposal occurs as the difference between net sales proceeds and the carrying amount of the securities.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

Sales of animated films are recognised when films are delivered to the customers and title has passed.

Income in respect of telecommunication services provided to customers is recognised when the services are rendered.

Interest income is accrued on a time proportion basis on the principal outstanding and at the interest rate applicable.

Investment income is recognised when the Group's right to receive payment is established.

Foreign currencies

Transactions in foreign currencies are translated at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the approximate rates of exchange ruling at that date. Translation differences are included in the income statement.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Foreign currencies (Cont'd)

On consolidation, the financial statements of overseas subsidiaries denominated in currencies other than Hong Kong dollars, are translated at the approximate rates of exchange ruling at the balance sheet date. All exchange differences arising on consolidation are dealt with in the exchange reserve.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

Pension costs

Contributions are recognised as expenses as they become payable in accordance with the rules of the scheme.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payable under operating leases are recognised as expenses on the straight-line basis over the lease terms.

Cash equivalents

Cash equivalents in the consolidated cash flow statement represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Related party

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

3. TURNOVER AND REVENUE

Turnover and revenue recognised by category are as follows:

	Group	
	1999	1998
	HK\$ '000	HK\$ '000
Sales of animated films	44,210	54,334
Telecommunication services income	1,035	—
Turnover	45,245	54,334
Interest income	985	251
Income from unlisted investments	498	642
Other revenue	1,493	893
Revenue	46,738	55,127

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

4. LOSS BEFORE TAXATION

This is stated after charging/(crediting):

	Group	
	1999	1998
	HK\$ '000	HK\$ '000
Amortisation of goodwill	—	1,172
Amortisation of long-term investments	3,511	2,526
Auditors' remuneration	557	543
Bad debts written off	3,000	—
Cost of inventories	21,773	20,832
Depreciation	3,506	3,369
Loss/(Profit) on disposal of property, plant and equipment	319	(72)
Operating lease charges on premises	3,000	3,578
Staff costs	27,271	23,143
Amount due from a jointly controlled entity waived	1,108	—
	<u>49,036</u>	<u>53,141</u>

5. DIRECTORS' REMUNERATION

	Group	
	1999	1998
	HK\$ '000	HK\$ '000
Fees	—	—
Salaries, other emoluments and other benefits in kind	2,350	1,860
	<u>2,350</u>	<u>1,860</u>

No fees or emoluments was paid to the independent non-executive directors during the year (1998: Nil).

In addition to the above emoluments, certain directors were granted share options under the Company's share option scheme. Details of these benefits in kind are disclosed under the paragraph "Directors' interests in shares" in the Report of the Directors.

In the absence of a ready market for the options granted on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of the options granted to the respective directors.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

5. DIRECTORS' REMUNERATION (Cont'd)

The remuneration of directors were within the following bands:

	Number of directors	
	1999	1998
Nil	4	6
1 — 1,000,000	4	—
1,500,001 — 2,000,000	—	1
	<u>8</u>	<u>7</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (1998: one) were directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the other two (1998: four) individuals were as follows:

	Group	
	1999	1998
	HKS'000	HKS'000
Basic salaries	2,540	3,106
Bonuses	300	—
	<u>2,840</u>	<u>3,106</u>

	Number of individuals	
	1999	1998
Nil — 1,000,000	—	1
1,000,001 — 1,500,000	1	1
1,500,001 — 2,000,000	1	—
	<u>2</u>	<u>2</u>

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

6. RETIREMENT BENEFIT COSTS

Set out below are certain particulars regarding the provident fund scheme operated by the Group:

(a) Nature of scheme

The Group currently operates a provident fund scheme. The scheme is available to all employees of the Group. The assets of the scheme are held separately by independently administered funds.

(b) Funding of the scheme

The Group's defined contribution scheme is funded by contributions from employees and employer. The employees and employer contribute respectively to the scheme sums which represent percentages of salaries of the employees as defined under the relevant trust deeds.

(c) Cost of the scheme

The Group's total retirement costs pursuant to the scheme charged to the income statement during the year ended 31 December 1999 amounted to HK\$12,538 (1998: HK\$32,000) after offsetting contributions forfeited of HK\$21,052 (1998: HK\$51,000) by employees during the year. The forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years as at 31 December 1999 amounted to HK\$11,601 (1998: HK\$15,000).

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

7. TAXATION

Hong Kong Profits Tax has been provided for at the rate of 16% (1998: 16%) on the estimated assessable profits for the year.

Overseas taxation represents income tax payable in the Peoples' Republic of China and is calculated at the prevailing rate.

The charge comprises:

	Group	
	1999	1998
	HK\$'000	HK\$'000
Hong Kong Profits Tax:		
Current year	41	351
(Over)/Underprovision in respect of previous year	(21)	32
Overseas taxation	719	1,380
	<u>739</u>	<u>1,763</u>

The major components of deferred taxation not credited (provided) for the year are as follows:

	Group	
	1999	1998
	HK\$'000	HK\$'000
Excess of tax allowances over depreciation	187	148
Tax losses (arising)/utilised:		
Acquisition of a subsidiary	(2,579)	
Current year	(395)	24,077
	<u>(2,787)</u>	<u>24,225</u>

8. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss of the Company dealt with in the consolidated income statement amounted to HK\$70,989,000 (1998: HK\$46,062,000).

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

9. LOSS PER SHARE

The calculation of basic loss per share is based upon the loss attributable to shareholders of HK\$78,408,000 (1998: HK\$63,555,000) and on the weighted average number of ordinary shares of 681,868,558 (1998: 443,194,585) in issue during the year. The 1999 and 1998 diluted loss per share are not shown because the potential ordinary shares would decrease the loss per share and would be regarded as anti-dilutive.

10. PROPERTY, PLANT AND EQUIPMENT

Group	Machinery and equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvement HK\$'000	Office equipment, furniture and fittings HK\$'000	Total HK\$'000
Cost					
At 1 January 1999	2,218	487	800	15,404	18,909
Acquisition of a subsidiary	1,371	—	102	531	2,004
Additions	—	—	269	1,106	1,375
Disposals	—	—	(578)	(518)	(1,096)
At 31 December 1999	<u>3,589</u>	<u>487</u>	<u>593</u>	<u>16,523</u>	<u>21,192</u>
Depreciation					
At 1 January 1999	1,263	248	533	5,485	7,529
Acquisition of a subsidiary	293	—	40	132	465
Charge for the year	184	68	267	2,987	3,506
Disposals	—	—	(466)	(311)	(777)
At 31 December 1999	<u>1,740</u>	<u>316</u>	<u>374</u>	<u>8,293</u>	<u>10,723</u>
Net book value					
At 31 December 1999	<u>1,849</u>	<u>171</u>	<u>219</u>	<u>8,230</u>	<u>10,469</u>
At 31 December 1998	<u>955</u>	<u>239</u>	<u>267</u>	<u>9,919</u>	<u>11,380</u>

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

10. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Company	Leasehold	Office	Total
	improvement	equipment, furniture and fittings	
	HK\$ '000	HK\$ '000	HK\$ '000
Cost			
At 1 January 1999	443	618	1,061
Additions	33	247	280
Disposals	(475)	(128)	(603)
At 31 December 1999	—	737	737
Depreciation			
At 1 January 1999	288	297	585
Charge for the year	138	122	260
Disposals	(426)	(71)	(497)
At 31 December 1999	—	348	348
Net book value			
At 31 December 1999	—	389	389
At 31 December 1998	155	321	476

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

11. INTERESTS IN SUBSIDIARIES

	Company	
	1999	1998
	HK\$'000	HK\$'000
Unlisted shares, at cost	145,696	216,141
Provision for permanent diminution in value	(136,464)	(151,480)
	9,232	64,661
Due from subsidiaries	68,885	23,687
Provision for amount due from a subsidiary	—	(11,203)
	68,885	12,484
	78,117	77,145

Details of the principal subsidiaries at the balance sheet date are as follows:

Name of subsidiary	Country of incorporation and operation	Ordinary share capital issued		Percentage of nominal value of issued capital held by the Company		Principal activities
		Number of shares	Par value per share HK\$	Directly	Indirectly	
Colorland Animation Productions Limited *	Hong Kong	1,250,000	1	—	80%	Investment holding and other related activities
Colorland Animation Productions (Shenzhen) Limited *	People's Republic of China	63,500,000	—	—	66%	Production of animated films
Goldmarket Assets Limited	British Virgin Islands	139,271,568	1	100%	—	Investment holding
magictel.com Limited (formerly known as Magictel Limited)	Hong Kong	1,000	1	—	100%	Provision of telecommunications services
speedinsure.com Limited (formerly known as Cyber Pioneer Limited)	Hong Kong	10,000	1	—	70%	Provision of insurance services
TelaPortal Limited (formerly known as Bright Source Limited)	Hong Kong	2	1	—	100%	Provision of electronic services

* Companies not audited by Moores Rowland

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

11. INTERESTS IN SUBSIDIARIES (Cont'd)

The above summary lists the principal subsidiaries of the Company which, in the opinion of the Company's directors, principally affected the results or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

12. INTANGIBLE ASSETS

	Group	
	1999	1998
	HK\$'000	HK\$'000
At cost	781	—

13. GOODWILL

	Group	
	1999	1998
	HK\$'000	HK\$'000
Cost		
At 1 January	70,445	68,171
Disposals	(70,445)	2,274
At 31 December	—	70,445
Amortisation		
At 1 January	36,772	35,000
Disposals	(36,772)	1,772
At 31 December	—	36,772
Net book value		
At 31 December	—	33,673

Notes to the Financial Statements (Cont. 6)

For the year ended 31 December 1999

14. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	1999	1998
	HK\$'000	HK\$'000
Share of net assets	—	11,284
Due from a jointly controlled entity	—	1,200
	—	12,484

In 1998, interest in a jointly controlled entity represented 25% equity interest in the registered and paid up capital of Chengdu Hongda Energy Co., Ltd. ("CHE"), a company established in the People's Republic of China. The Group had disposed its interest in CHE to a third party during the year.

15. LONG-TERM INVESTMENTS

Group	Television and home video rights investment			Total
	Investment in finished animated films	Investment in finished animated films	Investment in unfinished animated films	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1999				
Cost				
At 1 January 1999	16,599	285	539	17,523
Additions	4,262	—	6,299	10,568
Write-off	—	(285)	—	(285)
Transfers	6,838	—	(6,835)	—
Provision for diminution in value	(15,432)	—	—	(15,432)
At 31 December 1999	12,374	—	—	12,374
Amortisation				
At 1 January 1999	4,596	285	—	4,881
Charge for the year	3,511	—	—	3,511
Write-off	—	(285)	—	(285)
At 31 December 1999	8,107	—	—	8,107
Net book value				
At 31 December 1999	4,267	—	—	4,267

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

15. LONG-TERM INVESTMENTS (Cont'd)

Group (Cont'd)

	Investment in finished animated films HK\$'000	Television and home video rights in finished animated films HK\$'000	Investment in unfinished animated films HK\$'000	Total HK\$'000
1998				
Cost				
At 1 January 1998	11,141	285	2,585	14,011
Additions	2,973	—	539	3,512
Transfers	2,585	—	(2,585)	—
At 31 December 1998	<u>16,699</u>	<u>285</u>	<u>539</u>	<u>17,523</u>
Amortisation				
At 1 January 1998	1,991	204	—	2,195
Charge for the year	2,605	81	—	2,686
At 31 December 1998	<u>4,596</u>	<u>285</u>	<u>—</u>	<u>4,881</u>
Net book value				
At 31 December 1998	<u>12,103</u>	<u>—</u>	<u>539</u>	<u>12,642</u>

16. INVESTMENT SECURITIES

At cost, unlisted

Group and Company	
1999	1998
HK\$'000	HK\$'000
778	—

17. INVENTORIES

At cost:

Raw materials
Work-in-progress

Group	
1999	1998
HK\$'000	HK\$'000
201	240
394	834
<u>595</u>	<u>1,074</u>

Notes to the Financial Statements

For the year ended 31 December 1999

18. DUE TO A SHAREHOLDER

The amount due to a shareholder, Goldtron Limited, a company incorporated in the Republic of Singapore, is unsecured, interest-free and has no fixed terms for repayment.

19. ISSUED CAPITAL

	1999		1998	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Authorised				
Preference shares of HK\$1 each:				
At 1 January and 31 December	<u>188,979,400</u>	<u>188,979</u>	<u>188,979,400</u>	<u>188,979</u>
Ordinary shares of HK\$0.02 each:				
At 1 January	730,000,000	14,600	730,000,000	14,600
Increase of ordinary shares	730,000,000	14,600	-	-
At 31 December	<u>1,460,000,000</u>	<u>29,200</u>	<u>730,000,000</u>	<u>14,600</u>
TOTAL		<u>218,179</u>		<u>203,579</u>
Issued and fully paid				
Preference shares of HK\$1 each:				
At 1 January and 31 December	<u>170,979,400</u>	<u>170,979</u>	<u>170,979,400</u>	<u>170,979</u>
Ordinary shares of HK\$0.02 each:				
At 1 January	518,449,300	10,369	518,449,300	10,369
Issue of ordinary shares	611,500,000	12,230	611,500,000	12,230
Exercise of share options	10,000,000	200	-	-
At 31 December	<u>1,139,949,300</u>	<u>22,799</u>	<u>518,449,300</u>	<u>10,369</u>
TOTAL		<u>193,778</u>		<u>181,348</u>

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

19. ISSUED CAPITAL (Cont'd)

- (a) By an ordinary resolution passed at a special general meeting held on 1 September 1999, the authorised ordinary share capital of the Company was increased to HK\$30,000,000 by the creation of an additional 750,000,000 ordinary shares of HK\$0.02 each.
- (b) On 6 September 1999, the Company placed and issued 200,000,000 new ordinary shares of HK\$0.02 each at a price of HK\$0.17 per share. The net proceeds of HK\$32,800,000 are being used for working capital purposes.

Pursuant to a sale and purchase agreement dated 14 September 1999, 240,000,000 new ordinary shares of HK\$0.02 each were allotted and issued at a price of HK\$0.23 per share in consideration of the entire issued share capital of magictel.com Limited, which has become a wholly-owned subsidiary of the Group since then.

On 10 November 1999, the Company placed and issued 190,000,000 new ordinary shares of HK\$0.02 each at a price of HK\$0.45 per share. The net proceeds of HK\$83,300,000 were used for financing the expanding business and providing working capital of the Group.

On 13 December 1999, options were exercised to subscribe for 10,000,000 ordinary shares of HK\$0.02 each in the Company at a consideration of HK\$4,200,000.

Pursuant to an asset acquisition agreement dated 14 December 1999, the Company allotted and issued 1,000,000 new ordinary shares of HK\$0.02 each at a price of approximately HK\$0.778 per share to acquire certain assets from an independent third party.

- (c) The holders of the preference shares are entitled to convert all or any of the preference shares into fully paid ordinary shares on the basis of one ordinary share of HK\$0.02 each for every HK\$1 in nominal value of preference shares so converted, in accordance with the provision of the Company's Bye-laws. In each year the preference shares may be converted on any of the following dates:
 - (i) the date falling 30 days after the date of despatch of the audited financial statements of the Company for the last preceding accounting period to the holders of the preference shares; or
 - (ii) the date falling 30 days after the date on which the interim results of the Company in respect of any current accounting period shall be announced; or

Notes to the Financial Statements (Cont d)

For the year ended 31 December 1999

19. ISSUED CAPITAL (Cont d)

- (iii) such other dates as may be notified in writing by the directors to the holders of the preference shares not less than 30 days before such date.

In additions, as resolved by the directors on 16 December 1998, the preference shares may be converted every second Wednesday and last Wednesday of each month provided always that if such is not a business day then the next business day.

The Company may in accordance with the Bermuda Companies Act determine to redeem for a sum equal to (i) the nominal capital paid up or credited as paid up thereon and (ii) a fixed premium equal to five percent of the amount of such nominal capital and (iii) outstanding dividends, on any conversion date out of funds of the Company which would otherwise be available for dividend or distribution to the holders of any class of share or out of the proceeds of a new issue of ordinary shares.

20. SHARE OPTIONS

The Company had in issue the following share options as at the balance sheet date.

Date of options granted	Exercise price HK\$	Number of options outstanding
25 October 1999	0.42	51,630,223
16 November 1999	0.49	6,495,000
23 November 1999	0.60	4,100,000
		<u>62,225,223</u>

In accordance with the Company's Employee Share Option Scheme ("the Scheme") which was adopted in a Special General Meeting held on 25 October 1999, the directors of the Company may grant options to eligible employees to subscribe for shares in the Company. Any options granted can be exercised within the period as set out in the Rules and Regulations for the Scheme. The subscription price is determined by the board of directors and shall not be less than the higher of 80% of the average of the closing market prices of the shares for the five trading days immediately preceding the date of grant or the nominal value of a share.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

22. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	1999 HK\$ '000	1998 HK\$ '000
Loss before taxation	(75,170)	(55,323)
Interest income	(995)	(251)
Income from unlisted investments	(498)	(642)
Depreciation	3,506	3,367
Loss/(Profit) on disposal of property, plant and equipment	319	(17)
Amortisation of long-term investments	3,511	2,686
Bad debts written off	3,000	—
Loss on disposal of subsidiaries	33,673	—
Loss on disposal of a jointly controlled entity	11,284	—
Loss on associates written off	4,590	—
Provision for diminution in value of long-term investments	15,432	—
Amount due from a jointly controlled entity waived	1,200	—
Property, plant and equipment written off	—	206
Amortisation of goodwill	—	1,772
Provision for long-term receivable	—	17,149
Provision for diminution in value of associates	—	43,586
Changes in working capital:		
Inventories	479	1,532
Trade receivables, deposits paid, prepayments and other receivables	(7,895)	62,257
Trade payables, receipts in advance, accrued charges and other payables	(973)	(14,467)
Due from related companies	824	(3,650)
Due to a shareholder	(180)	(61,165)
Exchange difference on long-term receivable and bank balances	—	(1,152)
Net cash outflow from operating activities	<u>(7,893)</u>	<u>(4,112)</u>

23. MAJOR NON-CASH TRANSACTION

Consideration for the purchase of a subsidiary that occurred during the year comprised issuance of ordinary shares. Further details of the acquisition is set out in note 24.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

24. PURCHASE OF A SUBSIDIARY

	1999 HK\$'000	1998 HK\$'000
Net liabilities acquired:		
Property, plant and equipment	1,539	—
Trade receivables, deposits, prepayments and other receivables	435	—
Bank balances and cash	739	—
Trade payables, receipts in advance, accrued charges and other payables	<u>(6,821)</u>	<u>—</u>
	(4,108)	—
Goodwill	<u>62,761</u>	<u>2,274</u>
	<u>58,653</u>	<u>2,274</u>
Satisfied by:		
Shares allotted	55,200	—
Direct costs incurred	<u>3,453</u>	<u>2,274</u>
	<u>58,653</u>	<u>2,274</u>

Analysis of the net outflow of cash and cash equivalents in respect of the purchase of a subsidiary:

	1999 HK\$'000	1998 HK\$'000
Bank balances and cash acquired	(739)	—
Cash payment for direct costs	<u>3,453</u>	<u>2,274</u>
Net outflow of cash and cash equivalents in respect of the purchase of a subsidiary	<u>2,714</u>	<u>2,274</u>

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

25. DISPOSAL OF SUBSIDIARIES

	1999 HK\$ '000	1998 HK\$ '000
Net assets disposed	—	—
Unamortised goodwill written off	<u>33,673</u>	—
	<u>33,673</u>	—
Loss on disposal	<u>(33,673)</u>	—
	<u>—</u>	<u>—</u>
Satisfied by:		
Cash	<u>—</u>	<u>—</u>

26. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$ '000	Minority interest HK\$ '000
At 1 January 1999	74,325	10,730
Cash inflow from financing	121,071	3
Shares issued for non-cash consideration	55,200	—
Share of profit for the year	—	2,499
Dividend paid to minority shareholders	—	(800)
At 31 December 1999	<u>250,596</u>	<u>12,441</u>

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

e Kong Group Limited

27. COMMITMENTS

Commitments under operating leases

At the balance sheet date, the portion of outstanding commitments in respect of land and buildings not provided for under non-cancellable operating leases which are payable in the following year is as follow:

	Group		Company	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Operating leases which expire:				
Within one year	1,786	1,047	893	730
In the second to fifth years inclusive	1,350	1,233	675	—
	<u>3,136</u>	<u>2,280</u>	<u>1,568</u>	<u>730</u>

Capital expenditure commitments

At the balance sheet date, the Group had the following capital expenditure commitments:

	Group	
	1999 HK\$'000	1998 HK\$'000
Authorised but not contracted for	19,858	—
Contracted but not provided for	9,810	—

28. RELATED PARTY TRANSACTIONS

During the year, the Company paid management fee to a shareholder amounting to HK\$1,500,000 (1998: HK\$2,000,000) pursuant to a management agreement dated 19 September 1994. The agreement was terminated on 30 September 1999 and no further payment was made since then.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

29. DEFERRED TAXATION

At the balance sheet date, the major components of the deferred taxation liabilities/(assets) unprovided are as follows:

	Group	
	1999	1998
	HK\$'000	HK\$'000
Excess of tax allowances over depreciation	357	170
Tax losses carried forward	(10,469)	(7,455)
	<u>(10,112)</u>	<u>(7,325)</u>

A potential deferred tax asset has not been recognised in the financial statements in respect of tax losses available to set off future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

30. POST BALANCE SHEET EVENTS

(a) Changes in authorised and issued share capital

On 9 February 2000, an aggregate of 72,042,000 preference shares were converted into 72,042,000 ordinary shares of HK\$0.02 each at a price of HK\$1.05 per share.

On 15 and 16 February 2000, the Company placed and issued 200,000,000 new ordinary shares of HK\$0.02 each at a price of HK\$3.6 per share. The net proceeds of HK\$705,000,000 will be used for financing expansion of existing business and providing additional working capital of the Group.

By an ordinary resolution passed at a special general meeting on 1 March 2000, the authorised ordinary share capital of the Company was increased to HK\$60,000,000 by the creation of 1,500,000,000 additional ordinary shares of HK\$0.02 each.

On 29 March 2000, an aggregate of 89,248,968 preference shares were converted into 89,248,968 ordinary shares of HK\$0.02 each at a price of HK\$1.05 per share.

Notes to the Financial Statements *(Cont'd)*

For the year ended 31 December 1999

30. POST BALANCE SHEET EVENTS *(Cont'd)*

(b) Investments

On 3 February 2000, the Group entered into an agreement with Elmsdale Media Limited ("Elmsdale") for subscribing 357,142 shares in Elmsdale at a consideration of GBP4,000,000 (approximately HK\$49,880,000). The principal activities of Elmsdale is the establishment and operation of worldwide interactive programming and distribution services.

On 9 February 2000, the Group entered into an agreement with SUMmedia.com Inc. ("SUMmedia") for subscribing approximately 3.8% equity interest and 700,000 warrants in SUMmedia at a consideration of US\$3,675,000 (approximately HK\$28,592,000). Each warrant entitled the Group to acquire one share of SUMmedia at a price of US\$7 per share for a period of one year from the date of issue of such warrant. SUMmedia is an Internet media and marketing company that provides online coupons through its eCoupon portal.

Further to the memorandum of understanding entered into by the Group and Space Media Holdings Limited ("Space Media") on 28 December 1999, a formal subscription agreement was entered into by the two parties on 16 February 2000 for acquiring 20% equity interest in Space Media at an aggregate consideration of US\$2,500,000 (approximately HK\$19,450,000). The said consideration has been included in the authorised but not contracted for capital expenditure commitments as disclosed in note 27. Space Media is engaged in the provision of Internet advertising consultancy services.

31. COMPARATIVE FIGURES

Following the adoption of Statements of Standard Accounting Practice 1 and 2 issued by the Hong Kong Society of Accountants, certain comparative figures have been reclassified to conform to current year's presentation.

Summary of the Results and of the Assets and Liabilities of the Group

For the year ended 31 December 1999

	Results of the Group for the five years ended 31 December				
	1999	1998	1997	1996	1995
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Turnover					
Continuing operations	45,245	54,334	48,557	84,678	64,717
Discontinued operations	—	—	28,160	79,915	25,556
	<u>45,245</u>	<u>54,334</u>	<u>76,717</u>	<u>164,593</u>	<u>90,273</u>
Loss from operations	(75,170)	(55,323)	(56,790)	(8,025)	(16,824)
Share of results of associated companies	—	—	(21,478)	—	—
Loss before taxation	<u>(75,170)</u>	<u>(55,323)</u>	<u>(78,268)</u>	<u>(8,025)</u>	<u>(16,824)</u>
Taxation	(739)	(1,763)	(1,366)	7	(64)
Loss from ordinary activities after taxation	<u>(75,909)</u>	<u>(57,086)</u>	<u>(79,634)</u>	<u>(8,018)</u>	<u>(16,912)</u>
Minority interests	<u>(2,499)</u>	<u>(6,469)</u>	<u>(6,154)</u>	<u>(920)</u>	<u>2,356</u>
Net loss attributable to shareholders	<u>(78,408)</u>	<u>(63,555)</u>	<u>(85,788)</u>	<u>(8,938)</u>	<u>(14,556)</u>
Loss per share					
Basic	<u>(11.5 cents)</u>	<u>(14.3 cents)</u>	<u>(24.4 cents)</u>	<u>(2.8 cents)</u>	<u>(4.7 cents)</u>

Summary of the Results and of the Assets and Liabilities of the Group

For the year ended 31 December 1999

Kong Group Limited

Assets and liabilities of the Group for the five years ended 31 December

	1999	1998	1997	1996	1995
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	16,295	70,179	114,797	177,527	409,545
Current assets	115,752	15,406	108,802	79,119	80,447
Total assets	132,047	85,585	223,599	256,646	489,992
<i>Less:</i>					
Non-current liabilities	—	—	5,237	37,342	161,256
Current liabilities	14,346	9,278	86,625	15,917	60,591
Total liabilities	14,346	9,278	91,862	53,259	221,847
	117,701	76,307	131,737	203,387	268,145
<i>Less:</i>					
Minority interests	12,441	10,739	10,670	8,916	56,182
Total net assets	105,260	65,568	121,067	194,471	211,931

Zone Telecom, Inc.

Officers and Directors

NAME	TITLE	DIRECTOR
Derrick Bulawa Zone Telecom, Inc. Suite 2101-3 K. Wah Centre 191 Java Road North Point, Hong Kong	President and CEO	Yes*
Lawton Bloom Zone Telecom, Inc. 279 Harvard Street, No. 21 Cambridge, MA 02139	Vice President and Secretary	No
Jeffrey Cheng Zone Telecom, Inc. Suite 2101-3 K. Wah Centre 191 Java Road North Point, Hong Kong	Treasurer	No

* Mr. Bulawa is the sole director.

CHART OF OWNERSHIP STRUCTURE OF ZONE TELECOM, INC.

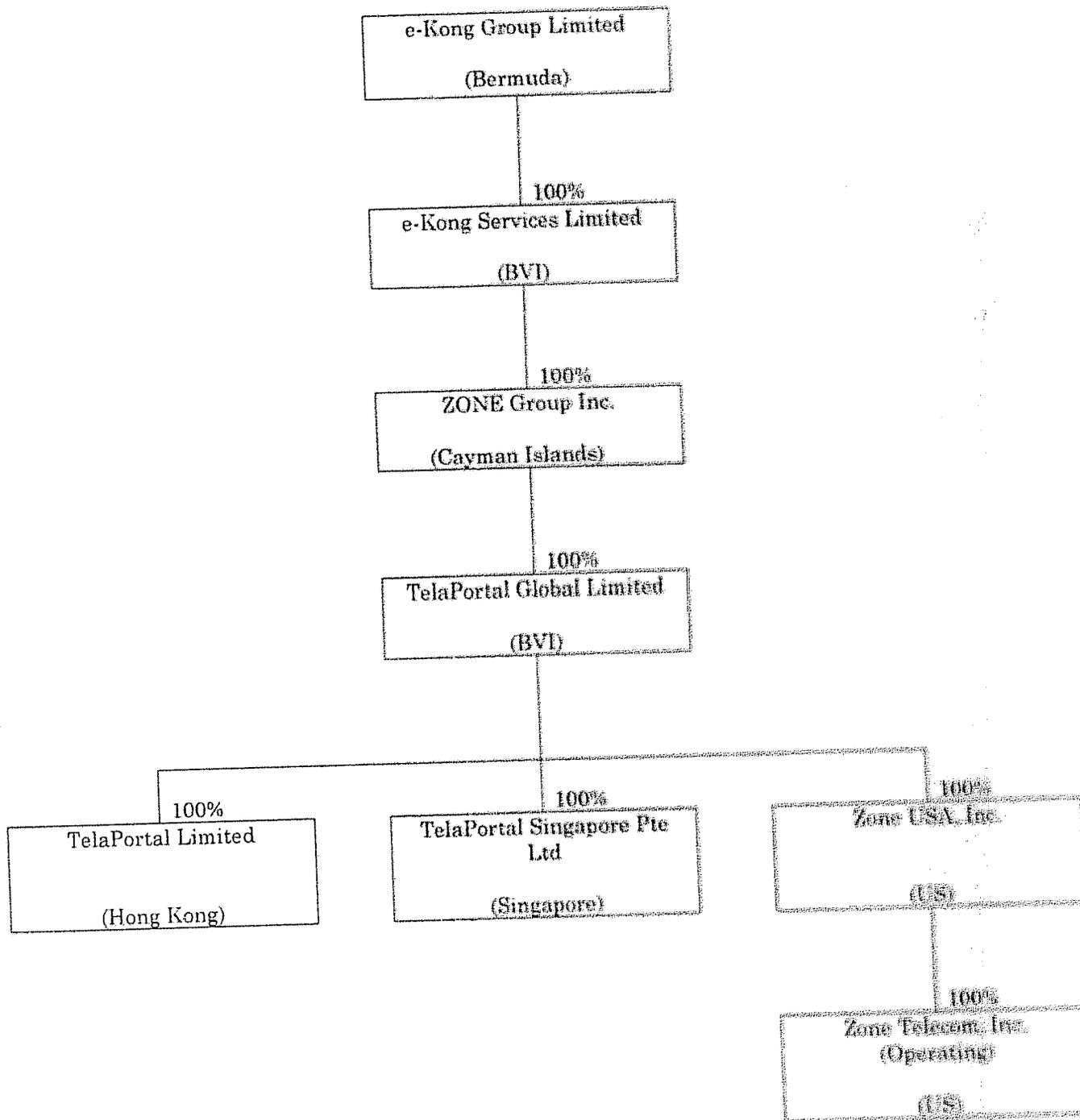


EXHIBIT E

TARIFF OF ZONE TELECOM, INC.

ZONE TELECOM, INC.
of
279 Harvard Street, Suite 21
Cambridge, Massachusetts 02139

RATES, RULES and REGULATIONS for FURNISHING
RESALE TELECOMMUNICATIONS SERVICES

Filed with the
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

Issued: August 21, 2000

Effective: August 21, 2000

BY: Lawton Bloom,
Vice President & Secretary
ZONE TELECOM, INC.
279 Harvard Street, Suite 21
Cambridge, MA 02139

CHECK SHEETS

The title page and Pages 1 to 43 inclusive, of this tariff are effective as of the date shown. Original and revised pages, as named below, contain all changes from the original tariff that are in effect on the date thereon, except as otherwise noted.

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EXPLANATION OF SYMBOLS

- (C) - To signify changed conditions or regulations
- (D) - To signify discontinued rate, regulation or condition
- (I) - To signify increase
- (L) - To signify that material has been transferred to another sheet or place in the tariff
- (M) - To signify that material has been transferred from another sheet or place in the tariff
- (N) - To signify new rate, regulation, condition or sheet
- (O) - To signify no change*
- (R) - To signify reduction
- (T) - To signify a change in text for clarification

* The use of the symbol "O" shall be discretionary unless its use in the interest of clarity is evident or specifically requested by the Commission.

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TARIFF FORMAT

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

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1.0 EXPLANATION OF TERMS AND ABBREVIATIONS

Access Line - An arrangement which connects the Customer's location to any switching center or designated point of presence.

Authorized User - A person, firm, corporation, or any other entity authorized by the Customer to communicate utilizing the Carrier's service.

Commission - The South Dakota Public Utilities Commission.

Company or Carrier - Zone Telecom, Inc., unless otherwise clearly indicated by the context.

Customer or End User - The person, firm, corporation or other entity which orders, cancels, amends or uses service and is responsible for payment of charges and compliance with the Company's tariff.

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

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

Holidays - The Company observes the following holidays: New Years Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day and Memorial Day.

INTERLATA TOLL CALL - Calls terminating beyond the LATA of the originating caller.

INTRALATA TOLL CALL - Calls terminating within the LATA of the originating caller.

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1.0 EXPLANATION OF TERMS AND ABBREVIATIONS (continued)

LATA - Local Access and Transport Area

LEC - Local Exchange Company

LOCAL CALL - Calls placed within the Local Exchange Carrier franchise area or EAS area. Local calls will be routed to the LEC and not be handled by the carrier.

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.

SDPUC - South Dakota Public Utilities Commission.

V & H Coordinates - Geographic points which define the originating and terminating points of a call in mathematical terms so that the airline mileage of the call may be determined. Call mileage is used for the purpose of rating calls.

ZONE - Used throughout this tariff to mean Zone Telecom, Inc.

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2.0 RULES AND REGULATIONS

2.1 Application of Tariff

2.1.1 This tariff contains the regulations and rates applicable to intrastate long distance resale telecommunications services provided by Zone for telecommunications between points within the State of South Dakota.

(A) The Company may, from time to time, offer various enhanced services and information services within the State of South Dakota. The Company presently resells pager equipment but does not provide the service.

2.1.2 The services of Zone are not part of a joint undertaking with any other entity providing telecommunications channels, facilities or services, but do involve the resale of the Message Toll Services (MTS) of underlying common carriers.

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2.0 RULES AND REGULATIONS (continued)

2.1.3 The rates and regulations contained in this tariff apply only to the services furnished by Zone and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other common carrier for use in accessing the services of Zone.

2.2 Use of Services

2.2.1 Zone's services may be used for any lawful purpose consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of services.

2.2.2 The use of Zone's services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another or in such a way as to unreasonably interfere with use by others is prohibited.

2.2.3 The use of Zone's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, schemas, false or invalid numbers, or false calling or credit cards is prohibited.

2.2.4 Zone's services are available for use twenty-four hours per day, seven days per week.

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2.0 RULES AND REGULATIONS (continued)

2.2.5 Zone does not transmit messages pursuant to this tariff, but its services may be used for that purpose.

2.2.6 Zone's services may be denied for nonpayment of charges or for other violations of this tariff.

2.3 Liability of Zone

2.3.1 Zone shall not be liable for loss or damage sustained by reason of any failure in or breakdown of facilities associated with Zone's services or for any interruption or delay of services, whatever shall be the cause of such failure, breakdown, or interruption and whether negligent or otherwise and however long it shall last. In no event shall Zone's liability for any service exceed the charges applicable under this tariff of such service.

2.3.2 The Company shall be indemnified and saved harmless by any Customer, user or any other entity against claims for libel, slander or the infringement of copyright arising from the material transmitted over its services; and against all other claims arising out of any act or omission of a Customer or of any other entity in connection with the services provided by the Company.

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Cambridge, MA 02139

2.0 RULES AND REGULATIONS (continued)

- 2.3.3 Zone is not liable for any act or omission of any entity furnishing facilities or services connected with or provided in conjunction with the services of Zone.
- 2.3.4 The Company shall not be liable for any personal injury, or death of any person or persons, and for any loss or damage sustained by reason of acts, mistakes, omissions, errors or defects in providing its services, whatever shall be the cause and whether negligent or otherwise.
- 2.3.5 The Company shall not be liable for and shall be indemnified and saved harmless by any Customer, user or other entity from any and all losses, claims, demands, suits, of other action or any liability whatever, whether suffered, made, instituted, or asserted by any Customer, user or any other entity for any personal injury to, or death of, any person or persons, and for any loss, damage, defacement or destruction of the premises of any Customer, user or any other entity or any other property whether owned or controlled by the Customer, user or others, caused or claimed to have been caused, directly or indirectly, by any act or omission of the Customer, user or others or by any installation, operation, failure to operate, maintenance, removal, presence, condition, location or use of facilities or equipment provided by Zone which is not the direct result of Zone's negligence.

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2.0 RULES AND REGULATIONS (continued)

No agents or employees of any other entity shall be deemed to be the agents or employees of Zone.

- 2.3.6 Zone shall not be liable for any failure of performance due to causes beyond its control, including, without being limited to, acts of God, fires, floods or other catastrophes, national emergencies, insurrections, riots or wars, strikes, lockouts, work stoppage or other labor difficulties, acts or omissions of other carriers, and any law, order, regulation or other action of any governing authority or agency thereof.

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2.0 RULES AND REGULATIONS (continued)

2.3.7 Zone Telecom, Inc. shall not be liable to any customer, authorized user or third party for failures caused by the transition to the Year 2000. Zone has, and will continue to make diligent efforts to ensure that our customers receive the services specified in this tariff before, during and after the Year 2000. Due to Zone's reliance on the equipment and facilities of other companies and their processes, Zone shall not be held responsible for damages of any nature, including consequential damages, due to, but not limited to, failures or interruptions to systems, switches, transmission facilities, computers and related equipment maintained by, provided by, or operated by either Zone or other third parties, including, but not limited to underlying carriers, local exchange companies, customers and other competitors. Information contained on Zone's Internet website and/or information provided to parties upon request regarding the Year 2000 readiness of products and services offered by Zone are "Year 2000 Readiness Disclosures" as defined by the Year 2000 Information and Readiness Disclosure Act of 1998 (Public Law 105-271, 112 Stat. 2386, a U.S. Statute) enacted on October 19, 1998.

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2.0 RULES AND REGULATIONS (continued)

2.3.7

Zone Telecom, Inc. shall not be liable to any customer, authorized user or third party for failures caused by the transition to the Year 2000. Zone has, and will continue to make diligent efforts to ensure that our customers receive the services specified in this tariff before, during and after the Year 2000. Due to Zone's reliance on the equipment and facilities of other companies and their processes, Zone shall not be held responsible for damages of any nature, including consequential damages, due to, but not limited to, failures or interruptions to systems, switches, transmission facilities, computers and related equipment maintained by, provided by, or operated by either Zone or other third parties, including, but not limited to underlying carriers, local exchange companies, customers and other competitors. Information contained on Zone's Internet website and/or information provided to parties upon request regarding the Year 2000 readiness of products and services offered by Zone are "Year 2000 Readiness Disclosures" as defined by the Year 2000 Information and Readiness Disclosure Act of 1998 (Public Law 105-271, 112 Stat. 2386, a U.S. Statute) enacted on October 19, 1998.

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2.0 RULES AND REGULATIONS (continued)

2.4 Responsibilities of the Customer or Subscriber

- 2.4.1 The Customer is responsible for placing any necessary orders; for complying with tariff regulations; and for assuring that users comply with tariff regulations. The Customer shall ensure compliance with any applicable laws, regulations, orders or other requirements (as they exist from time to time) of any governmental entity relating to services provided or made available by the Customer to Authorized Users. The Customer is also responsible for the payment of charges for calls originated at the Customer's numbers.
- 2.4.2 The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by Zone on the Customer's behalf.
- 2.4.3 If required for the provision of Zone services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to the Company.
- 2.4.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to the Company and the Customer when required for the Company personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of Zone's services.

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2.0 RULES AND REGULATIONS (continued)

2.4.5 The Customer shall ensure that the equipment and/or system is properly interfaced with Zone facilities or services, that the signals emitted into the Zone network are of the proper mode, bandwidth, power, and signal level for the intended use of the Customer in compliance with the criteria set forth in this tariff, and that the signals do not damage equipment, injure personnel, or degrade service to other Customers.

If the Federal Communications Commission or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with interstate communications service, Zone will permit such equipment to be connected with its channels without the use of protective interface devices.

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2.0 RULES AND REGULATIONS (continued)

If the customer fails to maintain the equipment and/or the system properly, with resulting imminent harm to Zone equipment, personnel, or the quality of service to other Customers, Zone may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, Zone may, upon written notice, terminate the Customer's service.

- 2.4.6 The Customer must pay the Company for replacement or repair of damage to the equipment or facilities of the Company caused by negligence or willful act of the Customer, users, or others, by improper use of the services, or by use of equipment provided by the Customer, users, or others.
- 2.4.7 The Customer must pay for the loss through theft of any Zone equipment installed at Customer's premises.
- 2.4.8 The Customer or Authorized User is responsible for payment of the charges set forth in this tariff.

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2.0 RULES AND REGULATIONS (continued)

2.4.9 The Customer or Authorized User is responsible for compliance with the applicable regulations set forth in this tariff.

2.4.10 The Customer or Authorized User is responsible for identifying the station, party, or person with whom communications is desired and/or made at the called number.

2.5 Cancellation or Interruption of Services

2.5.1 Without incurring liability, Zone may immediately discontinue services to a Customer or may withhold the provision of ordered or contracted services:

- (A) For nonpayment of any sum due Zone for more than thirty days after issuance of the bill for the amount due,
- (B) For violation of any of the provisions of this tariff,
- (C) For violation of any law, rule, regulation or policy of any governing authority having jurisdiction over the Company's services, or
- (D) By reason of any order or decision of a court, public service commission or federal regulatory body or other governing authority prohibiting Zone from furnishing its services.

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2.0 RULES AND REGULATIONS (continued)

2.5.2 Without incurring liability, Zone may interrupt the provision of services at any time in order to perform tests and inspections to assure compliance with tariff regulations and the proper installation and operation of Customer and Company's equipment and services and may continue such interruption until any items of non-compliance or improper equipment operation so identified are rectified.

2.5.3 Service may be discontinued by Zone, without notice to the Customer, by blocking traffic to certain countries, cities or NXX exchanges, or by blocking calls using a call screening method which generates a network message not allowing calls to complete, when Zone deems it necessary to take such action to prevent unlawful use of its service. Zone will restore service as soon as it can be provided without undue risk.

2.6 Contested Charges

For consideration of any disputed charge, a user must submit in writing to Zone, within 30 days of the date the bill is issued, the call details and the bases for any requested adjustment. Zone will promptly investigate and advise the user as to its findings and disposition. Any undisputed charges must be paid on a timely basis.

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2.0 RULES AND REGULATIONS (continued)

2.7 Customer Inquiries and Complaints

Customer inquiries or complaints regarding service or billings may be made in writing or by phone to Zone at:

Jill Papenhausen
Zone Telecom, Inc.
459 Oakshade Road
Shamong, NJ 08088
(609) 268-8000 or (800) 233-4736

Zone will respond within 72 hours of receipt of an inquiry. If the customer is dissatisfied with Zone's response to a complaint or inquiry, he or she may file with the South Dakota Public Utilities Commission for resolution of the conflict. The South Dakota Public Utilities Commission can be reached at:

500 East Capitol
Pierre, SD 57501
(505) 773-3201
(800) 332-1782

2.7 Deposits

The Company does not require a deposit from the Customer.

2.8 Taxes

All state and local taxes (e.g., gross receipts tax, sales tax, municipal utilities tax) are billed separately from the quoted rates.

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2.0 RULES AND REGULATIONS (continued)**2.9 Payphone use surcharge**

An undiscountable payphone use surcharge of \$.35 shall apply to each coinless call which Zone can identify as being placed from a domestic payphone by or to the customer or its permitted user. This includes, but is not limited to, calls placed with a Zone calling card, pre-paid calling card, collect calls and calls placed to 800 numbers. This charge is in addition to standard tariffed usage charges and is for the use of the payphone instrument to access Zone's services.

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3.0 DESCRIPTION OF SERVICE OFFERED

3.1 General

Service is offered to business Customers and is available on a presubscription basis from equal access originating and offices only. When a Customer elects to use Calling Card service, calls may be initiated from any location from which the caller can dial the appropriate access codes.

3.2 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. Zone uses the rate centers and associated vertical and horizontal coordinates that are produced by Bell Communications Research in their NPA-NXX V & H Coordinates Tape and NECA Tariff FCC No. 4.

FORMULA:

$$\sqrt{\frac{(V1 - V2)^2 + (H1 - H2)^2}{10}}$$

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3.0 DESCRIPTION OF SERVICE OFFERED (continued)

3.3 Timing of Calls

- 3.3.1 Long distance usage charges are based on the actual usage of Zone's network. The Company will determine that a call has been established through industry standard answer detection methods, including hardware answer detection.
- 3.3.2 Chargeable time for a call ends upon disconnection by either party.
- 3.3.3 For billing provided directly by the Company, the minimum call duration and initial period is 15 seconds for all intrastate direct dialed calls unless otherwise specified by this tariff. For billing provided directly by the Company, the additional period is measured and rounded to the next higher 5 second increment unless otherwise specified by this tariff.
- 3.3.4 For billing provided directly by the local Exchange Carrier of the Customer, the minimum call duration and initial period is 60 seconds (1 minute) and the additional period is measured in 60 second (1 minute) increments.
- 3.3.5 No charges apply for incomplete calls. If a Customer believes he or she has been incorrectly billed for an incomplete call, the Company will, upon written notification, investigate the circumstances of the call and issue a credit when appropriate.

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3.0 DESCRIPTION OF SERVICE OFFERED (continued)

3.4 Service Offerings

Zone offers its services to Customers at equal access end offices. All services are available twenty-four hours per day, seven days a week.

3.5 Zone Calling Card Service

Customers of Zone Calling Card Service may place calls while away from home or office by dialing a 10 digit code plus a 4 digit PIN number, assigned to the Customer. Calls are then completed on direct dialed basis. Usage charges and per call service charges apply. No minimum billing, nonrecurring charges or fixed monthly charges apply to this service.

3.6 Inbound Switched Service (800 or 888)

Receives inbound Intrastate calls on regular local telephone lines.

3.7 Inbound Dedicated Service (800 or 888)

Receives inbound Intrastate calls on Dedicated Access Lines using 800 or 888 number(s).

3.8 Zone Prepaid Card Service

Zone Telecom Prepaid Card Service provides an outbound voice grade communications service for calls charged to a Zone Prepaid Card. Customers can use the Zone Prepaid Card to complete Direct Dialed intrastate/interLATA, interstate and international calls.

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3.0 DESCRIPTION OF SERVICE OFFERED (continued)

3.9 Virtual Wats Service

Virtual Wats Service is a resold telecommunications service utilizing AT&T as the underlying carrier. This service includes such features as outbound switched and dedicated calling, inbound (900 or 800) switched and dedicated calling, calling card calling and directory assistance services.

3.10 FiberWats Service

FiberWats Service is a resold telecommunications service utilizing Sprint as the underlying carrier. This service includes such features as outbound switched and dedicated calling, inbound (800 or 900) switched and dedicated calling, calling card calling and directory assistance services.

3.11 Zone Prepaid Long Distance Service

Zone prepaid long distance service is an optional 1-800- direct dial long distance service wherein customers submit payments in advance.

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4.0 VIRTUAL WATS RATES

4.1 General

Each Customer is charged individually for each call placed through the Company. Charges are computed on an airline mileage basis as described in Section 3.2 of this tariff.

Rates vary by mileage band, time of day and call duration.

Customers are billed based on their use of Zone Telecom, Inc. long distance service. Unless specified in the service description section of this tariff, no installation charges apply.

4.2 Time of Day Rate Periods

The appropriate rates apply for day, evening and night/weekend calls based on the following chart.

	MON	TUES	WED	THURS	FRI	SAT	SUN	
8:00 AM TO 5:00 PM*	DAYTIME RATE PERIOD							
5:00 PM TO 11:00 PM*	EVENING/NIGHT/WEEKEND RATE PERIOD							
11:00 PM TO 8:00 AM*								

* to, but not including

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4.0 VIRTUAL WATS RATES (continued)

4.3 Holiday Rates

The evening rate applies to the following holidays unless a lower rate would normally apply.

New Year's Day	-	January 1
Independence Day	-	July 4
Labor Day	-	As nationally observed
Thanksgiving Day	-	As nationally observed
Christmas Day	-	December 25
Memorial Day	-	As nationally observed

4.4 Outbound One - Plus Usage Rates

4.4.1 SWITCHED ACCESS

This schedule applies to calls between two on-network stations which use local exchange service access lines or between an on-network station which uses a local exchange service access line and on off network station in the State of South Dakota.

Calls are billed in 6 second increments with 18 seconds minimum, except for Local Exchange Company billing which will be in 60 second (1 minute) increments [see Page 18, Section 3.3.4 of this tariff]. The 60 second (1 minute) rate is ten (10) times the 6 second increments shown below.

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4.0 VIRTUAL WATS RATES (continued)

InterLATA

<u>Rate</u> <u>Mileage</u>	1st 18 Seconds		Additional 6 seconds	
	<u>Day</u>	<u>Even/Night</u> <u>Weekend</u>	<u>Day</u>	<u>Even/Night</u> <u>Weekend</u>
0+	\$.0579	\$.0462	\$.0193	\$.0154

IntraLATA

<u>Rate</u> <u>Mileage</u>	1st 18 Seconds		Additional 6 seconds	
	<u>Day</u>	<u>Even/Night</u> <u>Weekend</u>	<u>Day</u>	<u>Even/Night</u> <u>Weekend</u>
0+	\$.0579	\$.0462	\$.0193	\$.0154

Monthly Service Fee = \$5.00

4.4.2 DEDICATED ACCESS

This schedule applies to calls between an on-network station which uses a special access line and either an on-network station that uses a local exchange service access line or an off-network station in the State of South Dakota.

InterLATA

<u>Rate</u> <u>Mileage</u>	1st 18 Seconds		Additional 6 seconds	
	<u>Day</u>	<u>Even/Night</u> <u>Weekend</u>	<u>Day</u>	<u>Even/Night</u> <u>Weekend</u>
0+	\$.0390	\$.0294	\$.0130	\$.0099

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4.0 VIRTUAL WATS RATES (continued)

IntraLATA

Rate Mileage	1st 18 Seconds		Additional 6 seconds	
	<u>Day</u>	<u>Even/Night Weekend</u>	<u>Day</u>	<u>Even/Night Weekend</u>
0+	\$.0390	\$.0294	\$.0130	\$.0098

Monthly Service Fee = \$20.00

4.5 Calling Card Service Rates

4.5.1 General

Calling Card Service allows Customers to place calls using primary place of residence or business. Customers must dial a 10 digit code plus a 4 digit PIN number, and the destination telephone service number when using the service. A per-call service charge applies in addition to the per-minute usage rates.

4.5.2 Calling Card Service Charge

This charge applies to each call in addition to the per minute usage charges. Usage discounts do not apply to the service charge.

Service charge per call \$0.65

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4.0 VIRTUAL WATS RATES (continued)

4.5.3 Intrastate Calling Card Rates

Calls are billed in 6 second increments with 18 seconds minimum, except for Local Exchange Company billing which will be in 60 second (1 minute) increments [see Page 18, Section 3.3.4 of this tariff]. The 60 second (1 minute) rate is ten (10) times the 6 second increments shown below.

Rate Mileage	1 ST 18 Seconds		Additional 6 Seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0+	\$.0624 (R)	\$.0498 (R)	\$.0208	\$.0156
293-430	\$.0675 (R)	\$.0540 (R)	\$.0225	\$.0180
431+	\$.0747 (R)	\$.0597 (R)	\$.0249	\$.0195

4.6 Long Distance Directory Assistance

A Long Distance Directory Assistance charge applies when the caller accesses the Company's network by dialing 1 + Area Code + 555-1212 to place a request for a telephone number. The charge applies to each inquiry regardless of whether the Directory Assistance bureau is able to supply a listed number. A credit allowance will be provided upon request for any Directory Assistance charge for which the Customer experiences poor transmission quality, is cut off, receives an incorrect telephone number, or misdials.

Directory Assistance Charge - Per Inquiry
\$0.75

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4.0 VIRTUAL WATS RATES (continued)

4.7. Inbound (800 OR 888) Usage Rates

a. Inbound (800 OR 888) Switched Usage Rates

	Rate Per Hour of Usage		
<u>Day</u>	<u>Evening</u>	<u>Night</u>	
\$15.01	\$14.36	\$14.36	
	Monthly recurring service charge	\$20.00	

b. Inbound (800 OR 888) Dedicated Usage Rates

	Rate Per Hour of Usage		
<u>Day</u>	<u>Evening</u>	<u>Night</u>	
\$9.90	\$8.40	\$7.20	
	Monthly recurring service charge	\$50.00	

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5.0 FIBERWATS RATES

5.1 General

Each Customer is charged individually for each call placed through the Company. Charges are computed on an airline mileage basis as described in Section 3.2 of this tariff.

Rates vary by mileage band, time of day and call duration.

Customers are billed based on their use of Zone Telecom, Inc. long distance service. Unless specified in the service description section of this tariff, no installation charges apply.

5.2 Time of Day Rate Periods

The appropriate rates apply for day, evening and night/weekend calls based on the following chart.

	MON	TUES	WED	THURS	FRI	SAT	SUN
8:00 AM TO 5:00 PM*	DAYTIME RATE PERIOD						
5:00 PM TO 11:00 PM*	EVENING/NIGHT/WEKEND RATE PERIOD						
11:00 PM TO 8:00 AM*							

* to, but not including

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5.0 FIBERWATS RATES (continued)

5.3 Holiday Rates

The evening rate applies to the following holidays unless a lower rate would normally apply.

New Year's Day	-	January 1
Independence Day	-	July 4
Labor Day	-	As nationally observed
Thanksgiving Day	-	As nationally observed
Christmas Day	-	December 25
Memorial Day	-	As nationally observed

5.4 Outbound One - Plus Usage Rates

5.4.1 SWITCHED ACCESS

This schedule applies to calls between two on-network stations which use local exchange service access lines or between an on-network station which uses a local exchange service access line and an off-network station in the State of South Dakota.

Calls are billed in 6 second increments with 10 seconds minimum, except for Local Exchange Company billing which will be in 60 second (1 minute) increments [see Page 18, Section 3.3.4 of this tariff]. The 60 second (1 minute) rate is ten (10) times the 6 second increments shown below.

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5.0 FIBERWATS RATES (continued)

InterLATA

Rate Mileage	1 st 18 Seconds		Additional 6 Seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0+	\$0.0507	\$0.0507	\$0.0169	\$0.159

IntraLATA

Rate Mileage	1 st 18 Seconds		Additional 6 Seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0+	\$0.0408	\$0.0408	\$0.0136	\$0.0136

Monthly Service Fee = \$5.00

5.4.2 DEDICATED ACCESS

This schedule applies to calls between an on-network station which uses a special access line and either an on-network station which uses a local exchange service access line or an off-network station within the State of South Dakota.

InterLATA

Rate Mileage	1st 18 Seconds		Additional 6 Seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0+	\$0.0279	\$0.0279	\$0.0093	\$0.0093

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5.0 FIBERWATS RATES (continued)

IntraLATA

Rate Mileage	1st 18 Seconds		Additional 6 Seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0+	\$0.0279	\$0.0279	\$0.0093	\$0.0093

Monthly access fees and service charges vary by Customer location and may be assessed by the Local Telephone Company or underlying carrier. These may be billed directly to the Customer by the Local Telephone Company or at the Customer's request, by Zone with no mark up from actual cost.

5.5 Calling Card Service Rates

5.5.1 General

Calling Card Service allows Customers to place calls using primary place of residence or business. Customers must dial a 10 digit code plus a 4 digit PIN number, and the destination telephone service number when using the service. A per-call service charge applies in addition to the per-minute usage rates.

5.5.2 Calling Card Service Charge

This charge applies to each call in addition to the per minute usage charges. Usage discounts do not apply to the service charge.

Service Charge Per Call \$0.50

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5.0 FIBERWATS RATES (continued)

5.5.3 Intrastate Calling Card Rates

Calling Card calls placed by Customers that have subscribed to Zone's calling card service prior to the date of this filing will be billed in 6 second increments with 18 seconds minimum. Calling Card calls placed by Customers that have subscribed to Zone's calling card service as of the date of this filing will be billed in 60 second (1 minute) increments. Local Exchange Company billing will be in 60 second (1 minute) increments [see Page 18, Section 3.3.4 of this tariff]. The 60 second (1 minute) rate, which applies to Local Exchange Company billing and to calls placed by Customers that have subscribed to Zone's calling card service as of the date of this filing, is ten (10) times the 6 second increments shown below.

Rate Mileage	Initial 18 Seconds		Each Additional 6 Seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0+	\$0.0573	\$0.0573	\$0.0191	\$0.0191

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5.0 FIBERWATS RATES (continued)

5.6 Long Distance Directory Assistance

A long distance Directory Assistance charge applies when the caller accesses the Company's network by dialing 1 + Area Code + 555-1212 to place a request for a telephone number. The charge applies to each inquiry regardless of whether the Directory Assistance bureau is able to supply a listed number. A credit will be issued for any Directory Assistance charge for which the customer experiences poor transmission quality, is cut off, receives an incorrect telephone number, or misdials.

Per Inquiry

Directory Assistance Charge - \$0.75

5.7 Inbound(800 Or 888) Usage Rates

a. Inbound (800 or 888) Switched Usage Rates

	<u>Rate</u>		
	<u>Per Hour of Usage</u>		
<u>Day</u>	<u>Evening</u>	<u>Night</u>	
\$11.46	\$11.46	\$11.46	
Monthly recurring service charge	\$20.00		

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5.0 FIBERWATS RATES (continued)

b. Inbound (800 or 888) Dedicated Usage Rates

<u>Rate</u> <u>Per Hour of Usage</u>		
<u>Day</u>	<u>Evening</u>	<u>Night</u>
\$7.74	\$7.74	\$7.74
Monthly recurring service charge		\$50.00

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6.0 COMMERCIAL AFFILIATION PROGRAM

6.1 General

This section contains the regulations applicable to the Commercial Affiliation Program. (See section 6.4 following for applicable rates)

6.2 Availability of Service

The following rates apply to residential and small business customers. To qualify for this service, Customers must be members of trade associations or commercial organizations. Customers may also qualify if they are individuals within an industry profession or business classification. Service shall be obtained by responding to an advertisement or promotional offering or by calling a toll free number in response to such solicitation.

6.3 Application of Charges

Customers of this calling plan may place as many calls as desired at the specified rates. No minimum monthly usage is required.

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6.0 COMMERCIAL AFFILIATION PROGRAM (continued)

6.4 Rates and Charges

The following rates apply for all times of day, seven days a week, for all distances. Calls will be billed at 18 second initial increment with 6 second additional increments.

Rate Mileage	Initial 18 Seconds or Fraction		Each Additional 6 Seconds or Fraction	
	Day	Eve/Night Weekend	Day	Eve/Night Weekend
0+	\$0.0375	\$0.0375	\$0.0125	\$0.0125
	Monthly Recurring Fee		\$2.00	

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ZONE PREPAID TELEPHONE CARD RATES

Rate
Per Minute of Usage

<u>Day</u>	<u>Evening</u>	<u>Night</u>
\$.40	\$.40	\$.40

ZONE SPECIAL PROMOTIONAL OFFERINGS

The company may from time to time engage in special Promotional Offerings limited to certain dates, times or locations designed to attract new subscribers or increase subscriber usage. The company will not have special promotional offerings for more than 90 days in any 12 month period. In all such cases, the rates charged will not exceed those specified in this Tariff.

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ZONE TELECONFERENCE SERVICE1. TELECONFERENCE SERVICE DESCRIPTION

Zone Teleconference Service provides communications between two or more stations connected to an audio bridge with the assistance of a teleconference operator.

2. BILLING

Charges accrued by using teleconference service are billed to the telephone number of the originator of the conference call or billed to another number, if it is acceptable to that party.

3. TIMING OF CALLS

3.1 Chargeable time of a conference call begins when all participants are connected and ends for each individual station when that station disconnects.

3.2 Chargeable time for ports joining the conference call already in progress begins when they are connected by a teleconference operator.

4. RATES AND CHARGES

4.1 Charges for teleconference service calls are per minute and per port usage, rounded to the next highest full minute.

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4. RATES AND CHARGES (continued)

4.2 **Dial - In Service:** Each participant dials into the conference via a standard telephone number and pays their own long distance costs. A teleconference operator will ask for the designator of the call and place the participant into the call. The initiating party pays all usage charges for each line.

Dial - In Service Rates

Bridging Usage Rate Per Minute, Per Line, All Time Periods, Domestic Interstate and Intrastate Calling	\$0.21
--	--------

4.3 **Dial - Out Service:** Each participant is called by a teleconference operator and placed into the conference. The initiating party pays all usage charges for each line.

Dial - Out Service Rates

Bridging Usage Rate Per Minute, Per Line, All Time Periods, Domestic Interstate and Intrastate Calling	\$0.20
--	--------

4.4 **800/888 Dial - In:** Participants dial in via an 800/888 number. A teleconference operator will ask for the designated moderator of the call and place the participant into the call. The initiating party pays all usage charges for each line.

800/888 Dial - In

Bridging Usage Rate Per Minute, Per Line, All Time Periods, Domestic Interstate and Intrastate Calling	\$0.20
--	--------

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ZONE PREPAID LONG DISTANCE SERVICE1. DESCRIPTION

Zone prepaid long distance service is an optional 1+/(011)+ direct dial long distance service wherein customers submit payments in advance.

The advance payments are placed in the consumer's account and are depleted as long distance charges, applicable surcharges, regulatory assessments, taxes and fees are accrued. If during any month, the total of charges exceed the monthly advance payments, the customer will hear an announcement that there is no credit available, and the customer will not be able to complete 1+/(011)+ calls until additional advance payments are received. In addition, several minutes in advance of the depletion of the prepayment, the customer will be advised via announcement. If a consumer does not utilize the full amount of the monthly prepayment, the remaining balance will carry over to subsequent months until the balance is depleted.

2. BILLING

Charges are billed in full minute increments

3. RATES AND CHARGES:

\$.25 cents per minute, 24 hours a day, seven days a week

Monthly recurring fee: \$5.00 waivable monthly fee.

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of
279 Harvard Street, Suite 21
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RATES, RULES and REGULATIONS for FURNISHING
RESALE TELECOMMUNICATIONS SERVICES

Filed with the
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

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CHECK SHEETS

The title page and Pages 1 to 43 inclusive, of this tariff are effective as of the date shown. Original and revised pages, as named below, contain all changes from the original tariff that are in effect on the date thereon, except as otherwise noted.

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EXPLANATION OF SYMBOLS

- (C) - To signify changed conditions or regulations
- (D) - To signify discontinued rate, regulation or condition
- (I) - To signify increase
- (L) - To signify that material has been transferred to another sheet or place in the tariff
- (M) - To signify that material has been transferred from another sheet or place in the tariff
- (N) - To signify new rate, regulation, condition or sheet
- (O) - To signify no change*
- (R) - To signify reduction
- (T) - To signify a change in text for clarification

* The use of the symbol "O" shall be discretionary unless its use in the interest of clarity is evident or specifically requested by the Commission.

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TARIFF FORMAT

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

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1.0 EXPLANATION OF TERMS AND ABBREVIATIONS

Access Line - An arrangement which connects the Customer's location to any switching center or designated point of presence.

Authorized User - A person, firm, corporation, or any other entity authorized by the Customer to communicate utilizing the Carrier's service.

Commission - The South Dakota Public Utilities Commission.

Company or Carrier - Zone Telecom, Inc., unless otherwise clearly indicated by the context.

Customer or End User - The person, firm, corporation or other entity which orders, cancels, amends or uses service and is responsible for payment of charges and compliance with the Company's tariff.

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

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

Holidays - The Company observes the following holidays: New Years Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day and Memorial Day.

INTERLATA TOLL CALL - Calls terminating beyond the LATA of the originating caller.

INTRALATA TOLL CALL - Calls terminating within the LATA of the originating caller.

1.0 EXPLANATION OF TERMS AND ABBREVIATIONS (continued)

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LATA - Local Access and Transport Area

LEC - Local Exchange Company

LOCAL CALL - Calls placed within the Local Exchange Carrier franchise area or EAS area. Local calls will be routed to the LEC and not be handled by the carrier.

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.

SDPUC - South Dakota Public Utilities Commission.

V & H Coordinates - Geographic points which define the originating and terminating points of a call in mathematical terms so that the airline mileage of the call may be determined. Call mileage is used for the purpose of rating calls.

ZONE - Used throughout this tariff to mean Zone Telecom, Inc.

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2.0 RULES AND REGULATIONS

2.1 Application of Tariff

2.1.1 This tariff contains the regulations and rates applicable to intrastate long distance resale telecommunications services provided by Zone for telecommunications between points within the State of South Dakota.

(A) The Company may, from time to time, offer various enhanced services and information services within the State of South Dakota. The Company presently resells pager equipment but does not provide the service.

2.1.2 The services of Zone are not part of a joint undertaking with any other entity providing telecommunications channels, facilities or services, but do involve the resale of the Message Toll Services (MTS) of underlying common carriers.

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2.0 RULES AND REGULATIONS (continued)

2.1.3 The rates and regulations contained in this tariff apply only to the services furnished by Zone and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other common carrier for use in accessing the services of Zone.

2.2 Use of Services

2.2.1 Zone's services may be used for any lawful purpose consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of services.

2.2.2 The use of Zone's services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another or in such a way as to unreasonably interfere with use by others is prohibited.

2.2.3 The use of Zone's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, schemes, false or invalid numbers, or false calling or credit cards is prohibited.

2.2.4 Zone's services are available for use twenty-four hours per day, seven days per week.

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2.0 RULES AND REGULATIONS (continued)

2.2.5 Zone does not transmit messages pursuant to this tariff, but its services may be used for that purpose.

2.2.6 Zone's services may be denied for nonpayment of charges or for other violations of this tariff.

2.3 Liability of Zone

2.3.1 Zone shall not be liable for loss or damage sustained by reason of any failure in or breakdown of facilities associated with Zone's services or for any interruption or delay of service, whatever shall be the cause of such failure, breakdown, or interruption and whether negligent or otherwise and however long it shall last. In no event shall Zone's liability for any service exceed the charges applicable under this tariff of such service.

2.3.2 The Company shall be indemnified and saved harmless by any Customer, user or any other entity against claims for libel, slander or the infringement of copyright arising from the material transmitted over its services; and against all other claims arising out of any act or omission of a Customer or of any other entity in connection with the services provided by the Company.

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2.0 RULES AND REGULATIONS (continued)

- 2.3.3 Zone is not liable for any act or omission of any entity furnishing facilities or services connected with or provided in conjunction with the services of Zone.
- 2.3.4 The Company shall not be liable for any personal injury, or death of any person or persons, and for any loss or damage sustained by reason of acts, mistakes, omissions, errors or defects in providing its services, whatever shall be the cause and whether negligent or otherwise.
- 2.3.5 The Company shall not be liable for and shall be indemnified and saved harmless by any Customer user or other entity from any and all losses, claims, demands, suits, of other action or any liability whatever, whether suffered, made, instituted, or asserted by any Customer, user or any other entity for any personal injury to, or death of, any person or persons, and for any loss, damage, defacement or destruction of the premises of any Customer, user or any other entity or any other property whether owned or controlled by the Customer, user or others, caused or claimed to have been caused, directly or indirectly, by any act or omission of the Customer, user or others or by any installation, operation, failure to operate, maintenance, removal, presence, condition, location or use of facilities or equipment provided by Zone which is not the direct result of Zone's negligence.

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2.0 RULES AND REGULATIONS (continued)

No agents or employees of any other entity shall be deemed to be the agents or employees of Zone.

- 2.3.6 Zone shall not be liable for any failure of performance due to causes beyond its control, including, without being limited to, acts of God, fires, floods or other catastrophes, national emergencies, insurrections, riots or wars, strikes, lockouts, work stoppage or other labor difficulties, acts or omissions of other carriers, and any law, order, regulation or other action of any governing authority or agency thereof.

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2.0 RULES AND REGULATIONS (continued)

- 2.3.7 Zone Telecom, Inc. shall not be liable to any customer, authorized user or third party for failures caused by the transition to the Year 2000. Zone has, and will continue to make diligent efforts to ensure that our customers receive the services specified in this tariff before, during and after the Year 2000. Due to Zone's reliance on the equipment and facilities of other companies and their processes, Zone shall not be held responsible for damages of any nature, including consequential damages, due to, but not limited to, failures or interruptions to systems, switches, transmission facilities, computers and related equipment maintained by, provided by, or operated by either Zone or other third parties, including, but not limited to underlying carriers, local exchange companies, customers and other competitors. Information contained on Zone's Internet website and/or information provided to parties upon request regarding the Year 2000 readiness of products and services offered by Zone are "Year 2000 Readiness Disclosures" as defined by the Year 2000 Information and Readiness Disclosure Act of 1998 (Public Law 105-271, 112 Stat. 2386, a U.S. Statute) enacted on October 19, 1998.

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2.0 RULES AND REGULATIONS (continued)

2.4 Responsibilities of the Customer or Subscriber

- 2.4.1 The Customer is responsible for placing any necessary orders; for complying with tariff regulations; and for assuring that users comply with tariff regulations. The Customer shall ensure compliance with any applicable laws, regulations, orders or other requirements (as they exist from time to time) of any governmental entity relating to services provided or made available by the Customer to Authorized Users. The Customer is also responsible for the payment of charges for calls originated at the Customer's numbers.
- 2.4.2 The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by Zone on the Customer's behalf.
- 2.4.3 If required for the provision of Zone services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to the Company.
- 2.4.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to the Company and the Customer when required for the Company personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of Zone's services.

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2.0 RULES AND REGULATIONS (continued)

- 2.4.5 The Customer shall ensure that the equipment and/or system is properly interfaced with Zone facilities or services, that the signals emitted into the Zone network are of the proper mode, bandwidth, power, and signal level for the intended use of the Customer in compliance with the criteria set forth in this tariff, and that the signals do not damage equipment, injure personnel, or degrade service to other Customers.
- If the Federal Communications Commission or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with interstate communications service, Zone will permit such equipment to be connected with its channels without the use of protective interface devices.

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2.0 RULES AND REGULATIONS (continued)

If the customer fails to maintain the equipment and/or the system properly, with resulting imminent harm to Zone equipment, personnel, or the quality of service to other Customers, Zone may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, Zone may, upon written notice, terminate the Customer's service.

- 2.4.6 The Customer must pay the Company for replacement or repair of damage to the equipment or facilities of the Company caused by negligence or willful act of the Customer, users, or others, by improper use of the services, or by use of equipment provided by the Customer, users, or others.
- 2.4.7 The Customer must pay for the loss through theft of any Zone equipment installed at Customer's premises.
- 2.4.8 The Customer or Authorized User is responsible for payment of the charges set forth in this tariff.

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2.0 RULES AND REGULATIONS (continued)

2.4.9 The Customer or Authorized User is responsible for compliance with the applicable regulations set forth in this tariff.

2.4.10 The Customer or Authorized User is responsible for identifying the station, party, or person with whom communications is desired and/or made at the called number.

2.5 Cancellation or Interruption of Services

2.5.1 Without incurring liability, Zone may immediately discontinue services to a Customer or may withhold the provision of ordered or contracted services:

- (A) For nonpayment of any sum due Zone for more than thirty days after issuance of the bill for the amount due,
- (B) For violation of any of the provisions of this tariff,
- (C) For violation of any law, rule, regulation or policy of any governing authority having jurisdiction over the Company's services, or
- (D) By reason of any order or decision of a court, public service commission or federal regulatory body or other governing authority prohibiting Zone from furnishing the services.

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2.0 RULES AND REGULATIONS (continued)

2.5.2 Without incurring liability, Zone may interrupt the provision of services at any time in order to perform tests and inspections to assure compliance with tariff regulations and the proper installation and operation of Customer and Company's equipment and services and may continue such interruption until any items of non-compliance or improper equipment operation so identified are rectified.

2.5.3 Service may be discontinued by Zone, without notice to the Customer, by blocking traffic to certain countries, cities or NXX exchanges, or by blocking calls using a call screening method which generates a network message not allowing calls to complete, when Zone deems it necessary to take such action to prevent unlawful use of its service. Zone will restore service as soon as it can be provided without undue risk.

2.6 Contested Charges

For consideration of any disputed charge, a user must submit in writing to Zone, within 30 days of the date the bill is issued, the call details and the bases for any requested adjustment. Zone will promptly investigate and advise the user as to its findings and disposition. Any undisputed charges must be paid on a timely basis.

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2.0 RULES AND REGULATIONS (continued)

2.7 Customer Inquiries and Complaints

Customer inquiries or complaints regarding service or billings may be made in writing or by phone to Zone at:

Jill Papenhausen
Zone Telecom, Inc.
459 Oakshade Road
Shamong, NJ 08088
(609) 268-8000 or (800) 233-4736

Zone will respond within 72 hours of receipt of an inquiry. If the customer is dissatisfied with Zone's response to a complaint or inquiry, he or she may file with the South Dakota Public Utilities Commission for resolution of the conflict. The South Dakota Public Utilities Commission can be reached at:

500 East Capitol
Pierre, SD 57501
(505) 773-3201
(300) 332-1782

2.7 Deposits

The Company does not require a deposit from the Customer.

2.8 Taxes

All state and local taxes (e.g., gross receipts tax, sales tax, municipal utilities tax) are billed separately from the quoted rates.

2.0 RULES AND REGULATIONS (continued)

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2.9 Payphone use surcharge

An undiscountable payphone use surcharge of \$.15 shall apply to each coinless call which Zone can identify as being placed from a domestic payphone by or to the customer or the permitted user. This includes, but is not limited to, calls placed with a Zone calling card, pre-paid calling cards, collect calls and calls placed to 800 numbers. This charge is in addition to standard tariffed usage charges and to the use of the payphone instrument to access Zone's services.

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3.0 DESCRIPTION OF SERVICE OFFERED

3.1 General

Service is offered to business Customers and is available on a presubscription basis from equal access originating end offices only. When a Customer elects to use Calling Card service, calls may be initiated from any location from which the caller can dial the appropriate access codes.

3.2 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. Zone uses the rate centers and associated vertical and horizontal coordinates that are produced by Bell Communications Research in their NPA-NXX V & H Coordinates Tape and NECA Tariff FCC No. 4.

FORMULA:

$$\sqrt[2]{\frac{(V1 - V2)^2 + (H1 - H2)^2}{10}}$$

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3.0 DESCRIPTION OF SERVICE OFFERED (continued)

3.3 Timing of Calls

- 3.3.1 Long distance usage charges are based on the actual usage of Zone's network. The Company will determine that a call has been established through industry standard answer detection methods, including hardware answer detection.
- 3.3.2 Chargeable time for a call ends upon disconnection by either party.
- 3.3.3 For billing provided directly by the Company, the minimum call duration and initial period is 18 seconds for all intrastate direct dialed calls unless otherwise specified by this tariff. For billing provided directly by the Company, the additional period is measured and rounded to the next higher 6 second increment unless otherwise specified by this tariff.
- 3.3.4 For billing provided directly by the Local Exchange Carrier of the Customer, the minimum call duration and initial period is 60 seconds (1 minute) and the additional period is measured in 60 second (1 minute) increments.
- 3.3.5 No charges apply for incomplete calls. If a Customer believes he or she has been incorrectly billed for an incomplete call, the Company will, upon written notification, investigate the circumstances of the call and issue a credit when appropriate.

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3.0 DESCRIPTION OF SERVICE OFFERED (continued)

3.4 Service Offerings

Zone offers its services to Customers at equal access end offices. All services are available twenty-four hours per day, seven days a week.

3.5 Zone Calling Card Service

Customers of Zone Calling Card Service may place calls while away from home or office by dialing a 10 digit code plus a 4 digit PIN number. assigned to the Customer. Calls are then completed on direct dialed basis. Usage charges and per call service charges apply. No minimum billing, nonrecurring charges or fixed monthly charges apply to this service.

3.6 Inbound Switched Service (800 or 888)

Receives inbound Intrastate calls on regular local telephone lines.

3.7 Inbound Dedicated Service (800 or 888)

Receives inbound Intrastate calls on Dedicated Access lines using 800 or 888 number(s).

3.8 Zone Prepaid Card Service

Zone Telecom Prepaid Card Service provides an outbound voice grade communications service for calls charged to a Zone Prepaid Card. Customers can use the Zone Prepaid Card to complete Direct Dialed intrastate/interLATA, interstate and international calls.

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3.0 DESCRIPTION OF SERVICE OFFERED (continued)

3.9 Virtual Wats Service

Virtual Wats Service is a resold telecommunications service utilizing AT&T as the underlying carrier. This service includes such features as outbound switched and dedicated calling, inbound (800 or 888) switched and dedicated calling, calling card calling and directory assistance services.

3.10 FiberWats Service

FiberWats Service is a resold telecommunications service utilizing Sprint as the underlying carrier. This service includes such features as outbound switched and dedicated calling, inbound (800 or 888) switched and dedicated calling, calling card calling and directory assistance services.

3.11 Zone Prepaid Long Distance Service

Zone prepaid long distance service is an optional 1+/011+ direct dial long distance service wherein customers submit payments in advance.

Issued: August 22, 2000

Effective: August 22, 2000

By: Lawton Bloom,
Vice President & Secretary
ZONE TELECOM, INC.
279 Harvard Street, Suite 21
Cambridge, MA 02139

4.0 VIRTUAL WATS RATES

4.1 General

Each Customer is charged individually for each call placed through the Company. Charges are computed on an airtime mileage basis as described in Section 3.2 of this tariff.

Rates vary by mileage band, time of day and call duration.

Customers are billed based on their use of Zone Telecom, Inc. long distance service. Unless specified in the service description section of this tariff, no installation charges apply.

4.2 Time of Day Rate Periods

The appropriate rates apply for day, evening and night/weekend calls based on the following chart.

	MON	TUES	WED	THURS	FRI	SAT	SUN	
8:00 AM TO 5:00 PM*	DAYTIME RATE PERIOD							
5:00 PM TO 11:00 PM*	EVENING/NIGHT/WEEKEND RATE PERIOD							
11:00 PM TO 8:00 AM*								

* to, but not including

Issued: August 22, 2000

Effective: August 22, 2000

By:

Lawton Bloom,
Vice President & Secretary
ZONE TELECOM, INC.
279 Harvard Street, Suite 21
Cambridge, MA 02139

4.0 VIRTUAL WATS RATES (continued)

4.3 Holiday Rates

The evening rate applies to the following holidays unless a lower rate would normally apply.

New Year's Day	-	January 1
Independence Day	-	July 4
Labor Day	-	As nationally observed
Thanksgiving Day	-	As nationally observed
Christmas Day	-	December 25
Memorial Day	-	As nationally observed

4.4 Outbound One - Plus Usage Rates

4.4.1 SWITCHED ACCESS

This schedule applies to calls between two on-network stations which use local exchange service access lines or between an on-network station which uses a local exchange service access line and an off network station in the State of South Dakota.

Calls are billed in 6 second increments with 15 seconds minimum, except for Local Exchange Company billing which will be in 60 second (1 minute) increments [see Page 18, Section 3.3.4 of this tariff]. The 60 second (1 minute) rate is ten (10) times the 6 second increments shown below.

Issued: August 22, 2000

Effective: August 22, 2000

By: Lawton Bloom,
Vice President & Secretary
ZONE TELECOM, INC.
279 Harvard Street, Suite 21
Cambridge, MA 02139

4.0 VIRTUAL WATS RATES (continued)

InterLATA

Rate Mileage	1st 18 Seconds		Additional 6 seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0+	\$.0579	\$.0462	\$.0193	\$.0154

IntraLATA

Rate Mileage	1st 18 Seconds		Additional 6 seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0+	\$.0579	\$.0462	\$.0193	\$.0154

Monthly Service Fee = \$5.00

4.4.2 DEDICATED ACCESS

This schedule applies to calls between an on-network station which uses a special access line and either an on-network station that uses a local exchange service access line or an off-network station in the State of South Dakota.

InterLATA

Rate Mileage	1st 18 Seconds		Additional 6 seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0+	\$.0390	\$.0294	\$.0130	\$.0098

4.0 VIRTUAL WATS RATES (continued)

Issued: August 22, 2000

Effective: August 22, 2000

By: Lawton Bloom,
Vice President & Secretary
ZONE TELECOM, INC.
279 Harvard Street, Suite 21
Cambridge, MA 02139

IntraLATA

Rate Mileage	1st 18 Seconds		Additional 6 seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0+	\$.0390	\$.0294	\$.0130	\$.0098

Monthly Service Fee = \$20.00

4.5 Calling Card Service Rates

4.5.1 General

Calling Card Service allows Customers to place calls using primary place of residence or business. Customers must dial a 10 digit code plus a 4 digit PIN number, and the destination telephone service number when using the service. A per-call service charge applies in addition to the per-minute usage rates.

4.5.2 Calling Card Service Charge

This charge applies to each call in addition to the per minute usage charges. Usage discounts do not apply to the service charge.

Service charge per call \$0.65

Issued: August 22, 2000

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By: Lawton Bloom,
 Vice President & Secretary
 ZONE TELECOM, INC.
 279 Harvard Street, Suite 21
 Cambridge, MA 02139

4.0 VIRTUAL WATS RATES (continued)

4.5.3 Intrastate Calling Card Rates

Calls are billed in 6 second increments with 18 seconds minimum, except for Local Exchange Company billing which will be in 60 second (1 minute) increments [see Page 18, Section 3.3.4 of this tariff]. The 60 second (1 minute) rate is ten (10) times the 6 second increments shown below.

Rate Mileage	1 ST 18 Seconds		Additional 6 Seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0+	\$.0624 (R)	\$.0498 (R)	\$.0208	\$.0166
293-430	\$.0675 (R)	\$.0540 (R)	\$.0225	\$.0180
431+	\$.0747 (R)	\$.0597 (R)	\$.0249	\$.0199

4.6 Long Distance Directory Assistance

A Long Distance Directory Assistance charge applies when the caller accesses the Company's network by dialing 1 + Area Code + 555-1212 to place a request for a telephone number. The charge applies to each inquiry regardless of whether the Directory Assistance bureau is able to supply a listed number. A credit allowance will be provided upon request for any Directory Assistance charge for which the Customer experiences poor transmission quality, is cut off, receives an incorrect telephone number, or misdials.

Directory Assistance Charge	-	Per Inquiry
		\$0.75

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By: Lawton Bloom,
Vice President & Secretary
ZONE TELECOM, INC.
279 Harvard Street, Suite 21
Cambridge, MA 02139

4.0 VIRTUAL WATS RATES (continued)

4.7. Inbound (800 OR 888) Usage Rates

a. Inbound (800 OR 888) Switched Usage Rates

<u>Day</u>	Rate Per Hour of Usage	
	<u>Evening</u>	<u>Night</u>
\$15.01	\$14.36	\$14.36
	Monthly recurring service charge	\$20.00

b. Inbound (800 OR 888) Dedicated Usage Rates

<u>Day</u>	Rate Per Hour of Usage	
	<u>Evening</u>	<u>Night</u>
\$9.90	\$8.40	\$7.20
	Monthly recurring service charge	\$50.00

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Effective: August 22, 2000

By: Lawton Bloom,
Vice President & Secretary
ZONE TELECOM, INC.
279 Harvard Street, Suite 21
Cambridge, MA 02139

5.0 FIBERWATS RATES

5.1 General

Each Customer is charged individually for each call placed through the Company. Charges are computed on an airline mileage basis as described in Section 3.2 of this tariff.

Rates vary by mileage band, time of day and call duration.

Customers are billed based on their use of Zone Telecom, Inc. long distance service. Unless specified in the service description section of this tariff, no installation charges apply.

5.2 Time of Day Rate Periods

The appropriate rates apply for day, evening and night/weekend calls based on the following chart.

	MON	TUES	WED	THURS	FRI	SAT	SUN
8:00 AM TO 5:00 PM*	DAYTIME RATE PERIOD						
5:00 PM TO 11:00 PM*	EVENING/NIGHT/WEEKEND RATE PERIOD						
11:00 PM TO 8:00 AM*							

* to, but not including

Issued: August 22, 2000

Effective: August 22, 2000

By: Lawton Bloom,
Vice President & Secretary
ZONE TELECOM, INC.
279 Harvard Street, Suite 21
Cambridge, MA 02139

5.0 FIBERWATS RATES (continued)

5.3 Holiday Rates

The evening rate applies to the following holidays unless a lower rate would normally apply.

New Year's Day	-	January 1
Independence Day	-	July 4
Labor Day	-	As nationally observed
Thanksgiving Day	-	As nationally observed
Christmas Day	-	December 25
Memorial Day	-	As nationally observed

5.4 Outbound One - Plus Usage Rates

5.4.1 SWITCHED ACCESS

This schedule applies to calls between two on-network stations which use local exchange service access lines or between an on-network station which uses a local exchange service access line and an off-network station in the State of South Dakota.

Calls are billed in 5 second increments with 15 seconds minimum, except for Local Exchange Company billing which will be in 60 second (1 minute) increments [see Page 18, Section 1.1.4 of this tariff]. The 60 second (1 minute) rate is ten (10) times the 5 second increments shown below.

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By: Lawton Bloom,
Vice President & Secretary
ZONE TELECOM, INC.
279 Harvard Street, Suite 21
Cambridge, MA 02139

5.0 FIBERWATS RATES (continued)

InterLATA

Rate Mileage	1 st 18 Seconds		Additional 6 Seconds	
	<u>Day</u>	<u>Even/Night Weekend</u>	<u>Day</u>	<u>Even/Night Weekend</u>
0+	\$0.0507	\$0.0507	\$0.0169	\$0.169

IntraLATA

Rate Mileage	1 st 18 Seconds		Additional 6 Seconds	
	<u>Day</u>	<u>Even/Night Weekend</u>	<u>Day</u>	<u>Even/Night Weekend</u>
0+	\$0.0408	\$0.0408	\$0.0135	\$0.0135

Monthly Service Fee = \$5.00

5.4.2 DEDICATED ACCESS

This schedule applies to calls between an on-network station which uses a special access line and either an on-network station which uses a local exchange service access line or an off-network station within the State of South Dakota.

InterLATA

Rate Mileage	1st 18 Seconds		Additional 6 Seconds	
	<u>Day</u>	<u>Even/Night Weekend</u>	<u>Day</u>	<u>Even/Night Weekend</u>
0+	\$0.0279	\$0.0279	\$0.0091	\$0.0091

5.0 FIBERWATS RATES (continued)

Issued: August 22, 2000

Effective: August 22, 2000

By: Lawton Bloom,
Vice President & Secretary
ZONE TELECOM, INC.
279 Harvard Street, Suite 21
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IntraLATA

Rate <u>Mileage</u>	1st 18 Seconds		Additional 6 Seconds	
	<u>Day</u>	<u>Even/Night Weekend</u>	<u>Day</u>	<u>Even/Night Weekend</u>
0+	\$0.0279	\$0.0279	\$0.0093	\$0.0093

Monthly access fees and service charges vary by Customer location and may be assessed by the Local Telephone Company or underlying carrier. These may be billed directly to the Customer by the Local Telephone Company or at the Customer's request, by Zone with no mark up from actual cost.

5.5 Calling Card Service Rates

5.5.1 General

Calling Card Service allows Customers to place calls using primary place of residence or business. Customers must dial a 10 digit code plus a 4 digit PIN number, and the destination telephone service number when using the service. A per-call service charge applies in addition to the per-minute usage rates.

5.5.2 Calling Card Service Charge

This charge applies to each call in addition to the per minute usage charges. Usage discounts do not apply to the service charge.

Service Charge Per Call \$0.55

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By: Lawton Bloom,
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5.0 FIBERWATS RATES (continued)

5.5.3 Intrastate Calling Card Rates

Calling Card calls placed by Customers that have subscribed to Zone's calling card service prior to the date of this filing will be billed in 6 second increments with 18 seconds minimum. Calling Card calls placed by Customers that have subscribed to Zone's calling card service as of the date of this filing will be billed in 60 second (1 minute) increments. Local Exchange Company billing will be in 60 second (1 minute) increments (see Page 18, Section 3.3.4 of this tariff). The 60 second (1 minute) rate, which applies to Local Exchange Company billing and to calls placed by Customers that have subscribed to Zone's calling card service as of the date of this filing, is ten times the 6 second increments shown below.

Rate Mileage	Initial 18 Seconds		Each Additional 6 Seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0+	\$0.0573	\$0.0573	\$0.0191	\$0.0191

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 279 Harvard Street, Suite 21
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5.0 FIBERWATS RATES (continued)

5.6 Long Distance Directory Assistance

A long distance Directory Assistance charge applies when the caller accesses the Company's network by dialing 1 + Area Code + 555-1212 to place a request for a telephone number. The charge applies to each inquiry regardless of whether the Directory Assistance bureau is able to supply a listed number. A credit will be issued for any Directory Assistance charge for which the customer experiences poor transmission quality, is cut off, receives an incorrect telephone number, or misdials.

Per Inquiry

Directory Assistance Charge - \$0.75

5.7 Inbound(800 Or 888) Usage Rates

a. Inbound (800 or 888) Switched Usage Rates

Rate
Per Hour of Usage

<u>Day</u>	<u>Evening</u>	<u>Night</u>
\$11.46	\$11.46	\$11.46

Monthly recurring service charge \$20.00

5.0 FIBERWATS RATES (continued)

Issued: August 22, 2000

Effective: August 22, 2000

By: Lawton Bloom,
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b. Inbound (800 or 888) Dedicated Usage Rates

<u>Day</u>	<u>Rate</u>		<u>Night</u>
	<u>Per Hour of Usage</u>		
	<u>Evening</u>		
\$7.74	\$7.74		\$7.74
Monthly recurring service charge		\$50.00	

Issued: August 22, 2000

Effective: August 22, 2000

By: Lawton Bloom,
Vice President & Secretary
ZONE TELECOM, INC.
279 Harvard Street, Suite 21
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6.0 COMMERCIAL AFFILIATION PROGRAM

6.1 General

This section contains the regulations applicable to the Commercial Affiliation Program. (See section 6.4 following for applicable rates)

6.2 Availability of Service

The following rates apply to residential and small business customers. To qualify for this service, Customers must be members of trade associations or commercial organizations. Customers may also qualify if they are individuals within an industry profession or business classification. Service shall be obtained by responding to an advertisement or promotional offering or by calling a toll free number in response to such solicitation.

6.3 Application of Charges

Customers of this calling plan may place as many calls as desired at the specified rates. No minimum monthly usage is required.

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By: Lawton Bloom,
Vice President & Secretary
ZONE TELECOM, INC.
279 Harvard Street, Suite 21
Cambridge, MA 02139

6.0 COMMERCIAL AFFILIATION PROGRAM (continued)

6.4 Rates and Charges

The following rates apply for all times of day, seven days a week, for all distances. Calls will be billed at 18 second initial increment with 6 second additional increments.

<u>Rate Mileage</u>	<u>Initial 18 Seconds or Fraction</u>		<u>Each Additional 6 Seconds or Fraction</u>	
	<u>Day</u>	<u>Eve/Night Weekend</u>	<u>Day</u>	<u>Eve/Night Weekend</u>
0+	\$0.0375	\$0.0375	\$0.0125	\$0.0125
	Monthly Recurring Fee		\$2.00	

Issued: August 22, 2000

Effective: August 22, 2000

By: Lawton Bloom,
 Vice President & Secretary
 ZONE TELECOM, INC.
 279 Harvard Street, Suite 21
 Cambridge, MA 02139

ZONE PREPAID TELEPHONE CARD RATESRate
Per Minute of Usage

<u>Day</u>	<u>Evening</u>	<u>Night</u>
\$.40	\$.40	\$.40

ZONE SPECIAL PROMOTIONAL OFFERINGS

The company may from time to time engage in special Promotional Offerings limited to certain dates, times or locations designed to attract new subscribers or increase subscriber usage. The company will not have special promotional offerings for more than 90 days in any 12 month period. In all such cases, the rates charged will not exceed those specified in this Tariff.

Issued: August 22, 2000

Effective: August 22, 2000

By:

Lawton Bloom,
Vice President & Secretary
ZONE TELECOM, INC.
279 Harvard Street, Suite 21
Cambridge, MA 02139

ZONE TELECONFERENCE SERVICE1. TELECONFERENCE SERVICE DESCRIPTION

Zone Teleconference Service provides communications between two or more stations connected to an audio bridge with the assistance of a teleconference operator.

2. BILLING

Charges accrued by using teleconference service are billed to the telephone number of the originator of the conference call or billed to another number, if it is acceptable to that party.

3. TIMING OF CALLS

3.1 Chargeable time of a conference call begins when all participants are connected and ends for each individual station when that station disconnects.

3.2 Chargeable time for ports joining the conference call already in progress begins when they are connected by a teleconference operator.

4. RATES AND CHARGES

4.1 Charges for teleconference service calls are per minute and per port usage, rounded to the next highest full minute.

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By: Lawton Bloom,
Vice President & Secretary
ZONE TELECOM, INC.
279 Harvard Street, Suite 21
Cambridge, MA 02139

4. RATES AND CHARGES (continued)

4.2 **Dial - In Service:** Each participant dials into the conference via a standard telephone number and pays their own long distance costs. A teleconference operator will ask for the designator of the call and place the participant into the call. The initiating party pays all usage charges for each line.

Dial - In Service Rates

Bridging Usage Rate Per Minute, Per Line, All Time Periods, Domestic Interstate and Intrastate Calling	\$0.21
--	--------

4.3 **Dial - Out Service:** Each participant is called by a teleconference operator and placed into the conference. The initiating party pays all usage charges for each line.

Dial - Out Service Rates

Bridging Usage Rate Per Minute, Per Line, All Time Periods, Domestic Interstate and Intrastate Calling	\$0.30
--	--------

4.4 **800/888 Dial - In:** Participants dial in via an 800/888 number. A teleconference operator will ask for the designated moderator of the call and place the participant into the call. The initiating party pays all usage charges for each line.

800/888 Dial - In

Bridging Usage Rate Per Minute, Per Line, All Time Periods, Domestic Interstate and Intrastate Calling	\$0.30
--	--------

Issued: August 22, 2000

Effective: August 22, 2000

By: Lawton Bloom,
 Vice President & Secretary
 ZONE TELECOM, INC.
 279 Harvard Street, Suite 21
 Cambridge, MA 02139

ZONE PREPAID LONG DISTANCE SERVICE1. DESCRIPTION

Zone prepaid long distance service is an optional 1+/011+ direct dial long distance service wherein customers submit payments in advance.

The advance payments are placed in the consumer's account and are depleted as long distance charges, applicable surcharges, regulatory assessments, taxes and fees are accrued. If during any month, the total of charges exceed the monthly advance payments, the customer will hear an announcement that there is no credit available, and the customer will not be able to complete 1+/011+ calls until additional advance payments are received. In addition, several minutes in advance of the depletion of the prepayment, the customer will be advised via announcement. If a consumer does not utilize the full amount of the monthly prepayment, the remaining balance will carry over to subsequent months until the balance is depleted.

2. BILLING

Charges are billed in full minute increments

3. RATES AND CHARGES:

\$.25 cents per minute, 24 hours a day, seven days a week

Monthly recurring fee: \$5.00 waivable monthly fee.

Issued: August 22, 2000

Effective: August 22, 2000

By:

Lawton Bloom,
Vice President & Secretary
ZONE TELECOM, INC.
279 Harvard Street, Suite 21
Cambridge, MA 02139

VENDOR: SOUTH DAKOTA PUBLIC UTILITIES

CHECK NO. 259513

OUR REF. NO.	YOUR INV. NO.	INVOICE DATE	INVOICE AMOUNT	AMOUNT PAID	DISCOUNT TAKEN	NET CHECK AMT.
654869 FEE		08/21/00	250.00	250.00	.00	250.00

TC00-129

CHECK NO.	CHECK DATE	VENDOR NO.
259513	08/21/00	S25941

HOGAN & HARTSON L.L.P.

ATTORNEYS AT LAW
555 13TH STREET, N.W.
WASHINGTON, D.C. 20004

CHECK NO. 259513

BANK OF AMERICA
WASHINGTON, D.C.

CHECK AMOUNT

250.00

TWO HUNDRED FIFTY AND 00/100

PAY TO THE ORDER OF SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

AMOUNTS OVER \$500.00 REQUIRE TWO SIGNATURES

BA *Adh*
AUTHORIZED SIGNATURE

⑈ 259513⑈ ⑆ 054001204⑆ 001920087047⑈

South Dakota Public Utilities Commission
WEEKLY FILINGS
For the Period of August 24, 2000 through August 30, 2000

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

CONSUMER COMPLAINTS

CT00-099 In the Matter of the Complaint filed by Jim and Georgia Bacon, Custer, South Dakota, against Lightyear Communications, Inc. Regarding Unauthorized Switching of Services.

The Complainants claim they did not authorize a switch in their service. The Complainants request "the full dollar amount suitable for this type of case" as relief.

Staff Analyst: Leni Healy
Staff Attorney: Karen Cremer
Date Docketed: 08/29/00
Intervention Deadline: NA

CT00-100 In the Matter of the Complaint filed by Earl A. Eliason on behalf of Earl's Barber Shop, Philip, South Dakota, against AT&T Communications of the Midwest, Inc. Regarding Unauthorized Switching of Services.

The complainant alleges that his long distance services were switched without his authorization and he has received billings and charges which he disputes. He reports that he has requested a copy of the verification tape and this has not been provided. The complainant requests that if AT&T cannot prove that he agreed to their calling plan he wants the following: 1. A signed statement that he did not agree to this plan and the switch was done without his consent. 2. A refund of \$16.45. 3. A check for \$750.00 for his trouble.

Staff Analyst: Charlene Lund
Staff Attorney: Karen Cremer
Date Docketed: 08/30/00
Intervention Deadline: NA

CT00-101 In the Matter of the Complaint filed by Terry L. Vellek, Sioux Falls, South Dakota, against Qwest Communications, Inc. Regarding a Billing Dispute.

The Complainant has had continuing billing problems with Qwest over the past two years which include toll charges and Universal Service Fund charges. Qwest has indicated that the calls were dialed directly using 10-10 numbers. The Complainant is seeking \$1000 in relief.

Staff Analyst: Leni Healy
Staff Attorney: Karen Cremer
Date Docketed: 08/30/00
Intervention Deadline: NA

NATURAL GAS

NG00-007 In the Matter of the Filing by NorthWestern Public Service Company for Approval of Tariff Revisions.

NorthWestern Public Service has filed to revise its South Dakota Natural Gas Tariff by adjusting its fuel retention percentage. The Gas Transportation Tariff General Terms and Conditions call for the retention percentage for the Company's South Dakota distribution system to be adjusted annually based upon the actual percentage incurred by the Company in the prior year.

Staff Analyst: Keith Senger
Staff Attorney: Karen Cremer
Date Docketed: 08/25/00
Intervention Deadline: 09/11/00

TELECOMMUNICATIONS

TC00-129 In the Matter of the Application of Zone Telecom, Inc. for a Certificate of Authority to Provide Telecommunications Services in South Dakota.

Zone Telecom, Inc. is seeking a Certificate of Authority to provide facilities-based and reseller intrastate interexchange and alternative operator telecommunications services in South Dakota. The applicant intends to provide a variety of competitive telecommunications services including prepaid calling cards, retail and wholesale interLATA private line, retail and wholesale calling cards, retail and wholesale switched interLATA long distance, and operator services.

Staff Analyst: Heather Forney
Date Docketed: 08/24/00
Intervention Deadline: 09/15/00

TC00-130 In the Matter of the Filing by the Local Exchange Carriers Association for Approval to Add Additional Exchanges to Interstate Telecommunications Cooperative, Inc. and Vivian Telephone Company and for a Few Minor Text Changes.

On August 29, 2000, the Local Exchange Carriers Association (LECA) filed revised pages of its Tariff No. 1. The purpose of the revisions is to reflect additional exchanges participating in the tariff and a few minor textual changes.

Staff Analyst: Heather Forney
Staff Attorney: Karen Cremer
Date Docketed: 08/29/00
Intervention Deadline: 09/15/00

TC00-131 In the Matter of the Filing for Approval of a First Amendment to an Interconnection Agreement between Brookings Municipal Utilities Telephone Department d.b.a. Swiftel Communications and Qwest Corporation.

A first amendment to an interconnection agreement between Qwest Corporation and Brookings Municipal Utilities Telephone Department d.b.a. Swiftel Communications has been filed with the Commission for approval. The original agreement was approved by the Commission in Docket TC98-204 and was effective February 18, 1999. The First Amendment will include the Terms and Conditions for Inter Local Calling Area (InterLCA Facility). Any party wishing to comment on the First Amendment may do so by filing written comments with the Commission and the parties to the amendment no later than September 19, 2000. Parties to the amendment may file written responses to the comments no later than twenty days after the service of the initial comments.

Staff Attorney: Karen Cremer
Date Docketed: 08/30/00
Initial Comments Due: 09/19/00

TC00-132 In the Matter of the Filing for Approval of a Resale Agreement between Qwest Corporation and DPI Teleconnect, L.L.C.

A Resale Interconnection Agreement between Qwest Corporation and DPI Teleconnect, L.L.C. was filed with the Commission for approval. The agreement is a negotiated agreement setting forth certain arrangements to provide, within the geographical areas where Qwest is the incumbent local exchange carrier, the unbundled network element platform and/or services for resale of local telecommunications services. Any party wishing to comment on the agreement may do so by filing written comments with the Commission and the parties to the agreement no later than September 19, 2000. Parties to the agreement may file written responses to the comments no later than twenty days after the service of the initial comments.

Staff Attorney: Karen Cremer
Date Docketed: 08/30/00
Initial Comments Due: 09/19/00

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You may subscribe or unsubscribe to the PUC mailing lists at <http://www.state.sd.us/puc/>

HOGAN & HARTSON
L.L.P.

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PARTNER
(202) 637-6845
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September 15, 2000

COLUMBIA SQUARE
555 THIRTEENTH STREET, NW
WASHINGTON, DC 20004-1103
TEL (202) 637-5600
FAX (202) 637-5910

VIA OVERNIGHT DELIVERY

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

RECEIVED

SEP 18 2000

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Re: TC00-129 - In the Matter of the Application of
Zone Telecom, Inc. for a Certificate of Authority to Provide
Telecommunications Services in South Dakota

Dear Mr. Bullard:

This submission is made on behalf of Zone Telecom, Inc. ("Zone"), an applicant for a Certificate of Authority to provide telecommunications services to consumers in the State of South Dakota, in response to the letter dated August 29, 2000, of Heather K. Forney, Utility Analyst.

1. Zone hereby requests a waiver of ARSD 20:10:24:02(11) regarding the filing of Zone's marketing plans. Zone will be a new entrant into market of providing competitive telecommunications services in South Dakota and other states, and is in the initial planning stages. Consequently, Zone has not yet determined its marketing plans.
2. Zone requests a waiver of ARSD 20:10:24:02(8) regarding the provision of financial reports for Zone, insofar as it is a newly-incorporated company without income or cash flow. Zone agrees not to require customer prepayments or deposits unless either: (1) Zone obtains an Indemnity Bond to the People of the State of South Dakota in the amount of \$25,000; or (2) the Commission determines upon Zone's application to remove the bond requirement.
3. Zone's sample tariff has been revised to leave open the effective date. The revised tariff is enclosed.

Mr. William Bullard, Jr.
Executive Director
South Dakota Public Utilities Commission
September 15, 2000
Page 2

4. Zone has changed Section 2.6 of the tariff to provide customers with 180 days to dispute charges on a bill.
5. Zone has corrected the Commission's telephone number and added TTY information to Section 2.7 of the tariff.
6. Zone has deleted Sections 2.3.1 and 2.3.4 from the tariff; the remaining subsections of Section 2.3 have been renumbered.

Enclosed are an original plus ten copies of this submission. Kindly date-stamp the additional copy of this filing and return it to me in the enclosed postage prepaid envelope. Any questions concerning this submission should be addressed to the undersigned.

Respectfully submitted,



Marissa G. Repp

Counsel for Zone Telecom, Inc.

Enclosures

cc: Heather K. Forney, Utility Analyst

ZONE TELECOM, INC.
of
279 Harvard Street, Suite 21
Cambridge, Massachusetts 02139

RATES, RULES and REGULATIONS for FURNISHING
RESALE TELECOMMUNICATIONS SERVICES

Filed with the
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

Issued: August 22, 2000

Effective:

BY: Lawton Bloom,
Vice President & Secretary
ZONE TELECOM, INC.
279 Harvard Street, Suite 21
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CHECK SHEETS

The title page and Pages 1 to 43 inclusive, of this tariff are effective as of the date shown. Original and revised pages, as listed below, contain all changes from the original tariff that are in effect on the date thereon, except as otherwise noted.

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EXPLANATION OF SYMBOLS

- (C) - To signify changed conditions or regulations
- (D) - To signify discontinued rate, regulation or condition
- (I) - To signify increase
- (L) - To signify that material has been transferred to another sheet or place in the tariff
- (M) - To signify that material has been transferred from another sheet or place in the tariff
- (N) - To signify new rate, regulation, condition or sheet
- (O) - To signify no change*
- (R) - To signify reduction
- (T) - To signify a change in text for clarification

* The use of the symbol "O" shall be discretionary unless its use in the interest of clarity is evident or specifically requested by the Commission.

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TARIFF FORMAT

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

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1.0 EXPLANATION OF TERMS AND ABBREVIATIONS (continued)

LATA - Local Access and Transport Area

LEC - Local Exchange Company

LOCAL CALL - Calls placed within the Local Exchange Carrier franchise area or EAS area. Local calls will be routed to the LEC and not be handled by the carrier.

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.

SDPUC - South Dakota Public Utilities Commission.

V & H Coordinates - Geographic points which define the originating and terminating points of a call in mathematical terms so that the airline mileage of the call may be determined. Call mileage is used for the purpose of rating calls.

ZONE - Used throughout this tariff to mean Zone Telecom, Inc.

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2.0 RULES AND REGULATIONS

2.1 Application of Tariff

2.1.1 This tariff contains the regulations and rates applicable to intrastate long distance resale telecommunications services provided by Zone for telecommunications between points within the State of South Dakota.

(A) The Company may, from time to time, offer various enhanced services and information services within the State of South Dakota. The Company presently resells pager equipment but does not provide the service.

2.1.2 The services of Zone are not part of a joint undertaking with any other entity providing telecommunications channels, facilities or services, but do involve the resale of the Message Toll Services (MTS) of underlying common carriers.

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2.0 RULES AND REGULATIONS (continued)

2.1.3 The rates and regulations contained in this tariff apply only to the services furnished by Zone and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other common carrier for use in accessing the services of Zone.

2.2 Use of Services

2.2.1 Zone's services may be used for any lawful purpose consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of services.

2.2.2 The use of Zone's services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another or in such a way as to unreasonably interfere with use by others is prohibited.

2.2.3 The use of Zone's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, schemes, false or invalid numbers, or false calling or credit cards is prohibited.

2.2.4 Zone's services are available for use twenty-four hours per day, seven days per week.

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2.0 RULES AND REGULATIONS (continued)

- 2.2.5 Zone does not transmit messages pursuant to this tariff, but its services may be used for that purpose.
- 2.2.6 Zone's services may be denied for nonpayment of charges or for other violations of this tariff.

2.3 Liability of Zone

- 2.3.1 The Company shall be indemnified and saved harmless by any Customer, user or any other entity against claims for libel, slander or the infringement of copyright arising from the material transmitted over its services; and against all other claims arising out of any act or omission of a Customer or of any other entity in connection with the services provided by the Company.

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2.0 RULES AND REGULATIONS (continued)

- 2.3.2 Zone is not liable for any act or omission of any entity furnishing facilities or services connected with or provided in conjunction with the services of Zone.
- 2.3.3 The Company shall not be liable for and shall be indemnified and saved harmless by any Customer user or other entity from any and all losses, claims, demands, suits, of other action or any liability whatever, whether suffered, made, instituted, or asserted by any Customer, user or any other entity for any personal injury to, or death of, any person or persons, and for any loss, damage, defacement or destruction of the premises of any Customer, user or any other entity or any other property whether owned or controlled by the Customer, user or others, caused or claimed to have been caused, directly or indirectly, by any act or omission of the Customer, user or others or by any installation, operation, failure to operate, maintenance, removal, presence, condition, location or use of facilities or equipment provided by Zone which is not the direct result of Zone's negligence.

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2.0 RULES AND REGULATIONS (continued)

No agents or employees of any other entity shall be deemed to be the agents or employees of Zone.

- 2.3.4 Zone shall not be liable for any failure of performance due to causes beyond its control, including, without being limited to, acts of God, fires, floods or other catastrophes, national emergencies, insurrections, riots or wars, strikes, lockouts, work stoppage or other labor difficulties, acts or omissions of other carriers, and any law, order, regulation or other action of any governing authority or agency thereof.

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2.0 RULES AND REGULATIONS (continued)

2.3.5 Zone Telecom, Inc. shall not be liable to any customer, authorized user or third party for failures caused by the transition to the Year 2000. Zone has, and will continue to make diligent efforts to ensure that our customers receive the services specified in this tariff before, during and after the Year 2000. Due to Zone's reliance on the equipment and facilities of other companies and their processes, Zone shall not be held responsible for damages of any nature, including consequential damages, due to, but not limited to, failures or interruptions to systems, switches, transmission facilities, computers and related equipment maintained by, provided by, or operated by either Zone or other third parties, including, but not limited to underlying carriers, local exchange companies, customers and other competitors. Information contained on Zone's Internet website and/or information provided to parties upon request regarding the Year 2000 readiness of products and services offered by Zone are "Year 2000 Readiness Disclosures" as defined by the Year 2000 Information and Readiness Disclosure Act of 1998 (Public Law 105-271, 112 Stat. 2386, a U.S. Statute) enacted on October 19, 1998.

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2.0 RULES AND REGULATIONS (continued)

2.4 Responsibilities of the Customer or Subscriber

- 2.4.1 The Customer is responsible for placing any necessary orders; for complying with tariff regulations; and for assuring that users comply with tariff regulations. The Customer shall ensure compliance with any applicable laws, regulations, orders or other requirements (as they exist from time to time) of any governmental entity relating to services provided or made available by the Customer to Authorized Users. The Customer is also responsible for the payment of charges for calls originated at the Customer's numbers.
- 2.4.2 The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by Zone on the Customer's behalf.
- 2.4.3 If required for the provision of Zone services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to the Company.
- 2.4.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to the Company and the Customer when required for the Company personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of Zone's services.

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2.0 RULES AND REGULATIONS (continued)

- 2.4.5 The Customer shall ensure that the equipment and/or system is properly interfaced with Zone facilities or services, that the signals emitted into the Zone network are of the proper mode, bandwidth, power, and signal level for the intended use of the Customer in compliance with the criteria set forth in this tariff, and that the signals do not damage equipment, injure personnel, or degrade service to other Customers.
- If the Federal Communications Commission or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with interstate communications service, Zone will permit such equipment to be connected with its channels without the use of protective interface devices.

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2.0 RULES AND REGULATIONS (continued)

If the customer fails to maintain the equipment and/or the system properly, with resulting imminent harm to Zone equipment, personnel, or the quality of service to other Customers, Zone may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, Zone may, upon written notice, terminate the Customer's service.

- 2.4.6 The Customer must pay the Company for replacement or repair of damage to the equipment or facilities of the Company caused by negligence or willful act of the Customer, users, or others, by improper use of the services, or by use of equipment provided by the Customer, users, or others.
- 2.4.7 The Customer must pay for the loss through theft of any Zone equipment installed at Customer's premises.
- 2.4.8 The Customer or Authorized User is responsible for payment of the charges set forth in this tariff.

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2.0 RULES AND REGULATIONS (continued)

2.4.9 The Customer or Authorized User is responsible for compliance with the applicable regulations set forth in this tariff.

2.4.10 The Customer or Authorized User is responsible for identifying the station, party, or person with whom communications is desired and/or made at the called number.

2.5 Cancellation or Interruption of Services

2.5.1 Without incurring liability, Zone may immediately discontinue services to a Customer or may withhold the provision of ordered or contracted services:

- (A) For nonpayment of any sum due Zone for more than thirty days after issuance of the bill for the amount due,
- (B) For violation of any of the provisions of this tariff,
- (C) For violation of any law, rule, regulation or policy of any governing authority having jurisdiction over the Company's services, or
- (D) By reason of any order or decision of a court, public service commission or federal regulatory body or other governing authority prohibiting Zone from furnishing its services.

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2.0 RULES AND REGULATIONS (continued)

2.5.2 Without incurring liability, Zone may interrupt the provision of services at any time in order to perform tests and inspections to assure compliance with tariff regulations and the proper installation and operation of Customer and Company's equipment and services and may continue such interruption until any items of non-compliance or improper equipment operation so identified are rectified.

2.5.3 Service may be discontinued by Zone, without notice to the Customer, by blocking traffic to certain countries, cities or NXX exchanges, or by blocking calls using a call screening method which generates a network message not allowing calls to complete, when Zone deems it necessary to take such action to prevent unlawful use of its service. Zone will restore service as soon as it can be provided without undue risk.

2.6 Contested Charges

For consideration of any disputed charge, a user must submit in writing to Zone, within 180 days of the date the bill is issued, the call details and the bases for any requested adjustment. Zone will promptly investigate and advise the user as to its findings and disposition. Any undisputed charges must be paid on a timely basis.

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2.0 RULES AND REGULATIONS (continued)

2.7 Customer Inquiries and Complaints

Customer inquiries or complaints regarding service or billings may be made in writing or by phone to Zone at:

Jill Papenhausen
Zone Telecom, Inc.
459 Oakshade Road
Shamong, NJ 08088
(609) 268-8000 or (800) 233-4736

Zone will respond within 72 hours of receipt of an inquiry. If the customer is dissatisfied with Zone's response to a complaint or inquiry, he or she may file with the South Dakota Public Utilities Commission for resolution of the conflict. The South Dakota Public utilities Commission can be reached at:

500 East Capitol
Pierre, SD 57501
(605) 773-3201
(800) 332-1782
TTY Through Relay South Dakota: 1-800-577-1113

2.7 Deposits

The Company does not require a deposit from the Customer.

2.8 Taxes

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All state and local taxes (e.g., gross receipts tax, sales tax, municipal utilities tax) are billed separately from the quoted rates.

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2.0 RULES AND REGULATIONS (continued)**2.9 Payphone use surcharge**

An undiscountable payphone use surcharge of \$.35 shall apply to each coinless call which Zone can identify as being placed from a domestic payphone by or to the customer or its permitted user. This includes, but is not limited to, calls placed with a Zone calling card, pre-paid calling card, collect calls and calls placed to 800 numbers. This charge is in addition to standard tariffed usage charges and is for the use of the payphone instrument to access Zone's services.

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3.0 DESCRIPTION OF SERVICE OFFERED

3.1 General

Service is offered to business Customers and is available on a presubscription basis from equal access originating end offices only. When a Customer elects to use Calling Card service, calls may be initiated from any location from which the caller can dial the appropriate access codes.

3.2 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. Zone uses the rate centers and associated vertical and horizontal coordinates that are produced by Bell Communications Research in their NPA-NXX V & H Coordinates Tape and NECA Tariff FCC No. 4.

FORMULA:

$$\sqrt{\frac{(V1 - V2)^2 + (H1 - H2)^2}{10}}$$

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3.0 DESCRIPTION OF SERVICE OFFERED (continued)

3.3 Timing of Calls

- 3.3.1 Long distance usage charges are based on the actual usage of Zone's network. The Company will determine that a call has been established through industry standard answer detection methods, including hardware answer detection.
- 3.3.2 Chargeable time for a call ends upon disconnection by either party.
- 3.3.3 For billing provided directly by the Company, the minimum call duration and initial period is 18 seconds for all intrastate direct dialed calls unless otherwise specified by this tariff. For billing provided directly by the Company, the additional period is measured and rounded to the next higher 6 second increment unless otherwise specified by this tariff.
- 3.3.4 For billing provided directly by the local Exchange Carrier of the Customer, the minimum call duration and initial period is 60 seconds (1 minute) and the additional period is measured in 60 second (1 minute) increments.
- 3.3.5 No charges apply for incomplete calls. If a Customer believes he or she has been incorrectly billed for an incomplete call, the Company will, upon written notification, investigate the circumstances of the call and issue a credit when appropriate.

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3.0 DESCRIPTION OF SERVICE OFFERED (continued)

3.4 Service Offerings

Zone offers its services to Customers at equal access end offices. All services are available twenty-four hours per day, seven days a week.

3.5 Zone Calling Card Service

Customers of Zone Calling Card Service may place calls while away from home or office by dialing a 10 digit code plus a 4 digit PIN number. assigned to the Customer. Calls are then completed on direct dialed basis. Usage charges and per call service charges apply. No minimum billing, nonrecurring charges or fixed monthly charges apply to this service.

3.6 Inbound Switched Service (800 or 888)

Receives inbound Intrastate calls on regular local telephone lines.

3.7 Inbound Dedicated Service (800 or 888)

Receives inbound Intrastate calls on Dedicated Access Lines using 800 or 888 number(s).

3.8 Zone Prepaid Card Service

Zone Telecom Prepaid Card Service provides an outbound voice grade communications service for calls charged to a Zone Prepaid Card. Customers can use the Zone Prepaid Card to complete Direct Dialed intrastate/interLATA, interstate and international calls.

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3.0 DESCRIPTION OF SERVICE OFFERED (continued)

3.9 Virtual Wats Service

Virtual Wats Service is a resold telecommunications service utilizing AT&T as the underlying carrier. This service includes such features as outbound switched and dedicated calling, inbound (800 or 888) switched and dedicated calling, calling card calling and directory assistance services.

3.10 FiberWats Service

FiberWats Service is a resold telecommunications service utilizing Sprint as the underlying carrier. This service includes such features as outbound switched and dedicated calling, inbound (800 or 888) switched and dedicated calling, calling card calling and directory assistance services.

3.11 Zone Prepaid Long Distance Service

Zone prepaid long distance service is an optional 1+/011+ direct dial long distance service wherein customers submit payments in advance.

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4.0 VIRTUAL WATS RATES

4.1 General

Each Customer is charged individually for each call placed through the Company. Charges are computed on an airline mileage basis as described in Section 3.2 of this tariff.

Rates vary by mileage band, time of day and call duration.

Customers are billed based on their use of Zone Telecom, Inc. long distance service. Unless specified in the service description section of this tariff, no installation charges apply.

4.2 Time of Day Rate Periods

The appropriate rates apply for day, evening and night/weekend calls based on the following chart.

	MON	TUES	WED	THURS	FRI	SAT	SUN
8:00 AM TO 5:00 PM*	DAYTIME RATE PERIOD						
5:00 PM TO 11:00 PM*	EVENING/NIGHT/WEEKEND RATE PERIOD						
11:00 PM TO 8:00 AM*							

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4.0 VIRTUAL WATS RATES (continued)

4.3 Holiday Rates

The evening rate applies to the following holidays unless a lower rate would normally apply.

New Year's Day	-	January 1
Independence Day	-	July 4
Labor Day	-	As nationally observed
Thanksgiving Day	-	As nationally observed
Christmas Day	-	December 25
Memorial Day	-	As nationally observed

4.4 Outbound One - Plus Usage Rates

4.4.1 SWITCHED ACCESS

This schedule applies to calls between two on-network stations which use local exchange service access lines or between an on-network station which uses a local exchange service access line and on off network station in the State of South Dakota.

Calls are billed in 6 second increments with 18 seconds minimum, except for Local Exchange Company billing which will be in 60 second (1 minute) increments [see Page 18, Section 3.3.4 of this tariff]. The 60 second (1 minute) rate is ten (10) times the 6 second increments shown below.

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4.0 VIRTUAL WATS RATES (continued)

InterLATA

Rate Mileage	1st 18 Seconds		Additional 6 seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0+	\$.0579	\$.0462	\$.0193	\$.0154

IntraLATA

Rate Mileage	1st 18 Seconds		Additional 6 seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0+	\$.0579	\$.0462	\$.0193	\$.0154

Monthly Service Fee = \$5.00

4.4.2 DEDICATED ACCESS

This schedule applies to calls between an on-network station which uses a special access line and either an on-network station that uses a local exchange service access line or an off-network station in the State of South Dakota.

InterLATA

Rate Mileage	1st 18 Seconds		Additional 6 seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0-	\$.0390	\$.0294	\$.0130	\$.0098

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4.0 VIRTUAL WATS RATES (continued)

IntraLATA

Rate Mileage	1st 18 Seconds		Additional 6 seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0+	\$.0390	\$.0294	\$.0130	\$.0098

Monthly Service Fee = \$20.00

4.5 Calling Card Service Rates

4.5.1 General

Calling Card Service allows Customers to place calls using primary place of residence or business. Customers must dial a 10 digit code plus a 4 digit PIN number, and the destination telephone service number when using the service. A per-call service charge applies in addition to the per-minute usage rates.

4.5.2 Calling Card Service Charge

This charge applies to each call in addition to the per minute usage charges. Usage discounts do not apply to the service charge.

Service charge per call \$0.65

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4.0 VIRTUAL WATS RATES (continued)

4.5.3 Intrastate Calling Card Rates

Calls are billed in 6 second increments with 10 seconds minimum, except for Local Exchange Company billing which will be in 60 second (1 minute) increments [see Page 18, Section 4.3.4 of this tariff]. The 60 second (1 minute) rate is ten (10) times the 6 second increments shown below.

Rate Mileage	1 ST 18 Seconds		Additional 6 Seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0+	\$.0624 (R)	\$.0498 (R)	\$.0208	\$.0160
293-430	\$.0675 (R)	\$.0540 (R)	\$.0225	\$.0180
431+	\$.0747 (R)	\$.0597 (R)	\$.0249	\$.0199

4.6 Long Distance Directory Assistance

A Long Distance Directory Assistance charge applies when the caller accesses the Company's network by dialing 1 + Area Code + 555-1212 to place a request for a telephone number. The charge applies to each inquiry regardless of whether the Directory Assistance bureau is able to supply a listed number. A credit allowance will be provided upon request for any Directory Assistance charge for which the Customer experiences poor transmission quality, is cut off, receives an incorrect telephone number, or misdials.

Directory Assistance Charge	-	Per Inquiry
		\$0.75

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4.0 VIRTUAL WATS RATES (continued)

4.7. Inbound (800 OR 888) Usage Rates

a. Inbound (800 OR 888) Switched Usage Rates

	Rate Per Hour of Usage		
<u>Day</u>	<u>Evening</u>	<u>Night</u>	
\$15.01	\$14.36	\$14.36	
		Monthly recurring service charge	\$20.00

b. Inbound (800 OR 888) Dedicated Usage Rates

	Rate Per Hour of Usage		
<u>Day</u>	<u>Evening</u>	<u>Night</u>	
\$9.90	\$8.40	\$7.20	
		Monthly recurring service charge	\$50.00

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5.0 FIBERWATS RATES

5.1 General

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Rates vary by mileage band, time of day and call duration.

Customers are billed based on their use of Zone Telecom, Inc. long distance service. Unless specified in the service description section of this tariff, no installation charges apply.

5.2 Time of Day Rate Periods

The appropriate rates apply for day, evening and night/weekend calls based on the following chart.

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8:00 AM TO 5:00 PM*	DAYTIME RATE PERIOD							
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5.0 FIBERWATS RATES (continued)

5.3 Holiday Rates

The evening rate applies to the following holidays unless a lower rate would normally apply.

New Year's Day	-	January 1
Independence Day	-	July 4
Labor Day	-	As nationally observed
Thanksgiving Day	-	As nationally observed
Christmas Day	-	December 25
Memorial Day	-	As nationally observed

5.4 Outbound One - Plus Usage Rates

5.4.1 SWITCHED ACCESS

This schedule applies to calls between two on-network stations which use local exchange service access lines or between an on-network station which uses a local exchange service access line and an off-network station in the State of South Dakota.

Calls are billed in 6 second increments with 18 seconds minimum, except for Local Exchange Company billing which will be in 60 second (1 minute) increments [see Page 18, Section 3.3.4 of this tariff]. The 60 second (1 minute) rate is ten (10) times the 6 second increments shown below.

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Effective:

By: Lawton Bloom,
Vice President & Secretary
ZONE TELECOM, INC.
279 Harvard Street, Suite 21
Cambridge, MA 02139

5.0 FIBERWATS RATES (continued)

InterLATA

Rate Mileage	1 st 18 Seconds		Additional 6 Seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0+	\$0.0507	\$0.0507	\$0.0169	\$0.169

IntraLATA

Rate Mileage	1 st 18 Seconds		Additional 6 Seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0+	\$0.0408	\$0.0408	\$0.0136	\$0.0136

Monthly Service Fee = \$5.00

5.4.2 DEDICATED ACCESS

This schedule applies to calls between an on-network station which uses a special access line and either an on-network station which uses a local exchange service access line or an off-network station within the State of South Dakota.

InterLATA

Rate Mileage	1st 18 Seconds		Additional 6 Seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0+	\$0.0279	\$0.0279	\$0.0093	\$0.0093

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5.0 FIBERWATS RATES (continued)

IntraLATA

Rate Mileage	1st 18 Seconds		Additional 6 Seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0+	\$0.0279	\$0.0279	\$0.0093	\$0.0093

Monthly access fees and service charges vary by Customer location and may be assessed by the Local Telephone Company or underlying carrier. These may be billed directly to the Customer by the Local Telephone Company or at the Customer's request, by Zone with no mark up from actual cost.

5.5 Calling Card Service Rates

5.5.1 General

Calling Card Service allows Customers to place calls using primary place of residence or business. Customers must dial a 10 digit code plus a 4 digit PIN number, and the destination telephone service number when using the service. A per-call service charge applies in addition to the per-minute usage rates.

5.5.2 Calling Card Service Charge

This charge applies to each call in addition to the per minute usage charges. Usage discounts do not apply to the service charge.

Service Charge Per Call \$0.55)

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5.0 FIBERWATS RATES (continued)

5.5.3 Intrastate Calling Card Rates

Calling Card calls placed by Customers that have subscribed to Zone's calling card service prior to the date of this filing will be billed in 6 second increments with 18 seconds minimum. Calling Card calls placed by Customers that have subscribed to Zone's calling card service as of the date of this filing will be billed in 60 second (1 minute) increments. Local Exchange Company billing will be in 60 second (1 minute) increments [see Page 18, Section 3.3.4 of this tariff]. The 60 second (1 minute) rate, which applies to Local Exchange Company billing and to calls placed by Customers that have subscribed to Zone's calling card service as of the date of this filing, is ten (10) times the 6 second increments shown below.

Rate Mileage	Initial 18 Seconds		Each Additional 6 Seconds	
	Day	Even/Night Weekend	Day	Even/Night Weekend
0+	\$0.0573	\$0.0573	\$0.0191	\$0.0191

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5.0 FIBERWATS RATES (continued)

5.6 Long Distance Directory Assistance

A long distance Directory Assistance charge applies when the caller accesses the Company's network by dialing 1 + Area Code + 555-1212 to place a request for a telephone number. The charge applies to each inquiry regardless of whether the Directory Assistance bureau is able to supply a listed number. A credit will be issued for any Directory Assistance charge for which the customer experiences poor transmission quality, is cut off, receives an incorrect telephone number, or misdials.

	<u>Per Inquiry</u>
Directory Assistance Charge -	\$0.75

5.7 Inbound(800 Or 888) Usage Rates

a. Inbound (800 or 888) Switched Usage Rates

	<u>Rate</u>		
	<u>Per Hour of Usage</u>		
<u>Day</u>	<u>Evening</u>	<u>Night</u>	
\$11.46	\$11.46	\$11.46	
Monthly recurring service charge		\$20.00	

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5.0 FIBERWATS RATES (continued)

b. Inbound (800 or 888) Dedicated Usage Rates

	Rate <u>Per Hour of Usage</u>		
<u>Day</u>	<u>Evening</u>	<u>Night</u>	
\$7.74	\$7.74	\$7.74	
<u>Monthly recurring service charge</u>		\$50.00	

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6.0 COMMERCIAL AFFILIATION PROGRAM

6.1 General

This section contains the regulations applicable to the Commercial Affiliation Program. (See section 6.4 following for applicable rates)

6.2 Availability of Service

The following rates apply to residential and small business customers. To qualify for this service, Customers must be members of trade associations or commercial organizations. Customers may also qualify if they are individuals within an industry profession or business classification. Service shall be obtained by responding to an advertisement or promotional offering or by calling a toll free number in response to such solicitation.

6.3 Application of Charges

Customers of this calling plan may place as many calls as desired at the specified rates. No minimum monthly usage is required.

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6.0 COMMERCIAL AFFILIATION PROGRAM (continued)

6.4 Rates and Charges

The following rates apply for all times of day, seven days a week, for all distances. Calls will be billed at 18 second initial increment with 6 second additional increments.

Rate <u>Mileage</u>	Initial 18 Seconds <u>or Fraction</u>		Each Additional 6 Seconds <u>or Fraction</u>	
	<u>Day</u>	<u>Eve/Night Weekend</u>	<u>Day</u>	<u>Eve/Night Weekend</u>
0+	\$0.0375	\$0.0375	\$0.0125	\$0.0125
	Monthly Recurring Fee		\$2.00	

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ZONE PREPAID TELEPHONE CARD RATES

Rate
Per Minute of Usage

<u>Day</u>	<u>Evening</u>	<u>Night</u>
\$.40	\$.40	\$.40

ZONE SPECIAL PROMOTIONAL OFFERINGS

The company may from time to time engage in special Promotional Offerings limited to certain dates, times or locations designed to attract new subscribers or increase subscriber usage. The company will not have special promotional offerings for more than 90 days in any 12 month period. In all such cases, the rates charged will not exceed those specified in this Tariff.

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ZONE TELECONFERENCE SERVICE1. TELECONFERENCE SERVICE DESCRIPTION

Zone Teleconference Service provides communications between two or more stations connected to an audio bridge with the assistance of a teleconference operator.

2. BILLING

Charges accrued by using teleconference service are billed to the telephone number of the originator of the conference call or billed to another number, if it is acceptable to that party.

3. TIMING OF CALLS

3.1 Chargeable time of a conference call begins when all participants are connected and ends for each individual station when that station disconnects.

3.2 Chargeable time for ports joining the conference call already in progress begins when they are connected by a teleconference operator.

4. RATES AND CHARGES

4.1 Charges for teleconference service calls are per minute and per port usage, rounded to the next highest full minute.

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4. RATES AND CHARGES (continued)

4.2 **Dial - In Service:** Each participant dials into the conference via a standard telephone number and pays their own long distance costs. A teleconference operator will ask for the designator of the call and place the participant into the call. The initiating party pays all usage charges for each line.

Dial - In Service Rates

Bridging Usage Rate Per Minute, Per Line, All Time	
Periods, Domestic Interstate and Intrastate	\$0.21
Calling	

4.3 **Dial - Out Service:** Each participant is called by a teleconference operator and placed into the conference. The initiating party pays all usage charges for each line.

Dial - Out Service Rates

Bridging Usage Rate Per Minute, Per Line, All Time	
Periods, Domestic Interstate and Intrastate	\$0.30
Calling	

4.4 **800/888 Dial - In:** Participants dial in via an 800/888 number. A teleconference operator will ask for the designated moderator of the call and place the participant into the call. The initiating party pays all usage charges for each line.

800/888 Dial - In

Bridging Usage Rate Per Minute, Per Line, All Time	
Periods, Domestic Interstate and Intrastate	\$0.30
Calling	

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ZONE PREPAID LONG DISTANCE SERVICE1. DESCRIPTION

Zone prepaid long distance service is an optional 1+/(011)+ direct dial long distance service wherein customers submit payments in advance.

The advance payments are placed in the consumer's account and are depleted as long distance charges, applicable surcharges, regulatory assessments, taxes and fees are accrued. If during any month, the total of charges exceed the monthly advance payments, the customer will hear an announcement that there is no credit available, and the customer will not be able to complete 1+/(011)+ calls until additional advance payments are received. In addition, several minutes in advance of the depletion of the prepayment, the customer will be advised via announcement. If a consumer does not utilize the full amount of the monthly prepayment, the remaining balance will carry over to subsequent months until the balance is depleted.

2. BILLING

Charges are billed in full minute increments

3. RATES AND CHARGES:

\$.25 cents per minute, 24 hours a day, seven days a week

Monthly recurring fee: \$5.00 waivable monthly fee.

Issued: August 22, 2000

Effective:

By: Lawton Bloom,
Vice President & Secretary
ZONE TELECOM, INC.
279 Harvard Street, Suite 21
Cambridge, MA 02139

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

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

**ORDER GRANTING
CERTIFICATE OF
AUTHORITY**

TC00-129

On August 24, 2000, the Public Utilities Commission (Commission), in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, received an application for a certificate of authority from Zone Telecom, Inc. (Zone).

Zone proposes to offer a variety of competitive telecommunications services, including retail and wholesale interLATA private line, retail and wholesale calling cards, retail and wholesale switched interLATA long distance and operator services. A proposed tariff was filed by Zone. The Commission has classified long distance service as fully competitive.

On August 31, 2000, the Commission electronically transmitted notice of the filing and the intervention deadline of September 15, 2000, to interested individuals and entities. No petitions to intervene or comments were filed and at its September 26, 2000, meeting, the Commission considered Zone's request for a certificate of authority. Commission Staff recommended granting a certificate of authority, subject to the condition that Zone not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission. Commission Staff further recommended a waiver of ARSD 20:10:24:02(8) and (11).

The Commission finds that it has jurisdiction over this matter pursuant to SDCL Chapter 49-31, specifically 49-31-3 and ARSD 20:10:24:02 and 20:10:24:03. The Commission finds that Zone has met the legal requirements established for the granting of a certificate of authority. Zone 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 subparagraphs (8) and (11) of ARSD 20:10:24:02. The Commission approves Zone's application for a certificate of authority, subject to the condition that Zone not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission. As the Commission's final decision in this matter, it is therefore

ORDERED, that Zone's application for a certificate of authority is hereby granted, effective October 24, 2000, subject to the condition that Zone not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission. It is

FURTHER ORDERED, that the Commission finds good cause to waive ARSD 20:10:24:02(8) and (11). It is

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

Dated at Pierre, South Dakota, this 29th day of September, 2000.

CERTIFICATE OF SERVICE

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

By:

Delaine Kalbo

Date:

9/29/00

(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 September 26, 2000, effective October 24, 2000
Docket No. TC00-129

This is to certify that

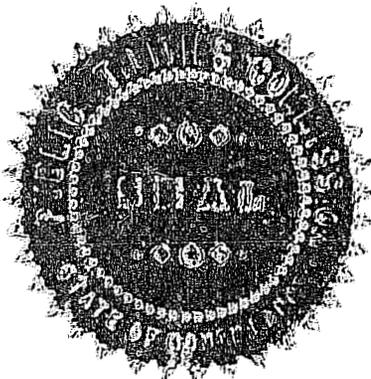
ZONE TELECOM, INC.

is authorized to provide telecommunications services in South Dakota.

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

Dated at Pierre, South Dakota, this 29th day of September, 2000.

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION:



James A. Burg

JAMES A. BURG, Chairman

Pam Nelson

PAM NELSON, Commissioner

Laska Schoenfelder

LASKA SCHOENFELDER, Commissioner