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PAUL D LAXALT
SENIOR COUNSEL

October 29, 1990

HAND DELIVERED

Lawrence M. Noble, Esquire
General Counsel
Federal Election Commission
PEPCO Building
999 E Street, N.W.
Room 657
Washington, D.C. 20463

Re: AOR by MCI Telecommunications Corporation

Dear Mr. Noble:

Pursuant to 2 U.S.C. § 437f and 11 C.F.R. § 112, we respectfully request an Advisory Opinion from the Federal Election Commission (the "Commission") on behalf of our client MCI Telecommunications Corporation ("MCI"). MCI, as a common carrier, offers the use of its fiber optic cable network to provide 900 telephone service to sponsors or service providers who, on occasion, market that service to political campaign committees. MCI now holds a quantity of funds in a segregated account collected from callers for the benefit of a service provider. Certain formalities required by the Commission to prevent a service provider from advancing corporate funds to a political committee in connection with a Federal election, have allegedly not been maintained by the service provider or the political committee. MCI now requests the opinion of the Commission concerning its proper disposition of funds held pursuant to its 900 service.

Except where the facts stated herein directly concern MCI, the following statement of facts relies upon representations made to MCI by third parties.

I. Statement of Facts

MCI, a Delaware corporation, is engaged in providing the use of its telecommunications transmission network, and certain billing and collection services, to a number of service providers which offer 900 in-bound telephone services to

entities termed "information providers" whose services allow individuals to dial into a voice program for a fee included on the callers' telephone bills.

South Central Bell ("SCB"), a Local Exchange Carrier ("LEC") operating in the Louisiana area provided the local network over which 900 exchange calls were transmitted to MCI's switch and transmission system. SCB also contracted with MCI to provide local billing and collection services for 900 line and long distance calls which utilize the MCI network (See Exhibit "A"). On April 4, 1989, MCI entered into an "Agreement for Interim 900 Service Billing and Collection" (the "Agreement") with Iris Enterprises, Inc., a Georgia corporation doing business as Fourth Media, Inc. ("Fourth Media"), which engages in telemarketing and media production activities. In the Agreement, MCI agreed to permit customers of Fourth Media to access the MCI network as a transmission medium utilizing the 900 exchange for the provision of in-bound long distance calls ("900 Service").

Through a contractual arrangement with an LEC (SCB in the Louisiana region), MCI agreed to bill callers to 900 lines provided to customers of Fourth Media. Callers were to be charged an amount up to $25 per call by the service provider from which MCI subtracted usage charges, and a discount to reflect uncollectable bad debt amounts. The "net amount" was to be remitted to Fourth Media within 90 days after the close of the billing cycle in which the charges were incurred. Fourth Media acted to locate customers for the 900 Service and was solely responsible for the production and content of all messages delivered to callers. Those messages were transmitted to MCI's account representative, but were not screened by MCI's lawyers for legality, nor were they required to be. No contractual provisions required MCI or the LEC to transmit the names and addresses of callers to Fourth Media with the proceeds of the calls. However, Fourth Media has the ability to obtain lists of the names and addresses of callers to Fourth Media's customers. Fourth Media certified that it would not use the service to transmit unlawful messages. MCI reserved the right to withhold service if the character of the messages or advertising was unlawful.

MCI's arrangement with Fourth Media was expressly contingent on the actual billing and collection provided by the LEC. If a LEC did not provide billing and collection services, MCI assumed no further obligation to bill callers and collect charges from them.

In late June 1990, David Duke, then a candidate for U.S. Senate from Louisiana, obtained 900 Service through Fourth

Media. One 900 line was connected on or about June 27, 1990 and a second line was connected on or about July 12, 1990. On September 14, 1990, MCI learned that a third line available to Fourth Media was being used by David Duke or the David Duke for U.S. Senate Committee (the "Duke Committee"). Each line charged callers a $10 premium. The premiums were increased to $25 per call on various occasions.

An example of the messages provided by the Duke Committee on the 900 Service, after MCI gained the capability to allow a caller to disconnect to avoid paying the premium, was as follows:

> This is representative David Duke talking to you from the Louisiana State Capitol. You will be charged ten dollars on your phone bill for this call. If you don't want to incur these charges, hang up now.
>
> You are vitally important to this winning campaign for the U.S. Senate. I am opposed to affirmative action. I believe in equal rights for all Americans. I believe we should require welfare recipients to work for their welfare checks. And I say no new taxes. Urge your friends to support this campaign. We need your support. Give them this number: 1-900-226-1999. We need your help. We'll send you information at the sound of the beep. Speak clearly your name, address, zip code, and telephone number. Thank you again for your continuing support.

Fourth Media furnished the Duke Committee daily with the names, addresses and zip codes of callers who chose to leave that information following the messages as part of its contracted services. The Duke Committee could access that information automatically at the end of each day by telephone after dialing a digital code. Additionally, Fourth Media received magnetic tapes monthly from MCI with the telephone numbers of 900 Service callers. It then reportedly contracted with an outside firm to generate names and addresses to match those numbers, and furnished that information to the Duke Committee.

No written agreement was entered into between Duke or the Duke Committee and Fourth Media and no deposit was requested of, or paid by, the Duke Committee to cover the costs of the service or bad debts that might be incurred. In an oral

agreement, Roy Knight, President of Fourth Media, agreed with a representative of the Duke Committee to provide 900 Service and provide the Duke Committee with net call proceeds (decreased by the amount of MCI charges) approximately 30 days after a normal billing period, after deducting expenses of approximately 15¢ per minute less 40¢ per call for the use of the voice file.

Beginning in June 1990, the Duke Committee advertised the opportunity to call 900 lines and hear a pre-recorded message from David Duke. Once the call was connected, the caller was given the option to hear the recorded information and be charged $10, $25, or hang up immediately and avoid being billed. In addition, from June 1990, the "900" numbers were published in newspapers throughout the state of Louisiana in paid advertisements. Reportedly, 150,000 households were also mailed flyers which included the 900 numbers. None of these advertisements, or the recorded telephone messages themselves, reportedly advised callers that they would be making political contributions to the Duke Committee.

The MCI system records the calls using an Automatic Number Identification ("ANI") capability which identifies the exact telephone number from which the call was placed. These numbers, and the time and date of the call are recorded onto magnetic tape and sent to SCB's affiliate, Bell South Services, or other LECs in geographic areas in which the calls originated. The LECs then process this information into customer billing statements. Telephone numbers from which 900 Service calls were made are matched with the "billing name and address" by the "BNA System" operated by SCB and other LECs in regions from which 900 calls were made. Monthly billings statements, including the 900 Service charges, are sent to SCB customers. MCI is paid by the LECs for its accounts receivable generally in the month following the period covered by ANI tapes conveyed to the LECs. The amount paid to MCI is reduced by accounts that the LEC is unable to bill and collect and by adjustments for refunds, credits and non-payments. An LEC generally pays MCI before its local bills have actually been paid by telephone callers. Since SCB has contracted its billing and collection services to MCI, it is under no contractual obligation to furnish Fourth Media or the Duke Committee with names and addresses of 900 Service callers, and has not done so.

On approximately August 15, 1990, SCB notified MCI that it would no longer provide billing and collection services. MCI notified Fourth Media which notified the Duke Committee of SCB's withdrawal. Service had been terminated, according to SCB, based on a company policy against providing 900 Service

for political campaigns or charitable fundraisers. MCI responded by introducing a procedure to strip from ANI tapes the record of calls placed to Duke 900 numbers following SCB's termination of billing and collection service. Under its contractual obligations to MCI, SCB has paid MCI for its accounts receivables processed during the period from June 23, 1990 - August 22, 1990, including amounts attributable to 900 Service calls made by local customers. MCI has segregated the amounts attributable to 900 Service charges to the Duke Campaign from its corporate revenues and has yet made no payments to Fourth Media on two lines. Payments were made to Fourth Media for a third line which MCI was unaware had been used by the Duke Committee. To MCI's knowledge, no amounts have been paid to the Duke Committee by MCI, Fourth Media or any other party, which are attributable to 900 Service calls.

On August 23, 1990, the Duke Committee filed a civil action in the Eastern District of Louisiana against SCB which alleged, among other things, the breach of a "quasi contract" which existed between the Duke Campaign and SCB based on detrimental reliance. The suit also alleged unlawful conversion of 900 Service funds belonging to the Duke Committee, and violation of the Sherman Anti-Trust Act based on intentional discrimination against the Duke Committee. One million two hundred thousand dollars in damages was demanded.

MCI continues to hold funds paid by SCB which MCI may be contractually obligated to pay to Fourth Media, and which Fourth Media may be obligated to pay to the Duke Committee.

II. Statement of Issues

A. In light of recent Advisory Opinions rendered to service providers by the Commission with respect to the use of 900 Service by political campaign committees, MCI seeks the Commission's opinion whether payment of 900 Service funds by MCI to Fourth Media, and ultimately to the Duke Committee, constitutes a violation of the Federal Election Campaign Act of 1971 by MCI under the factual circumstances described above.

B. If such payment constitutes a violation of the Act, MCI seeks the Commission's opinion concerning the proper disposition of the funds.

III. Statement of Law

The Federal Election Campaign Act of 1971, as amended, (the "Act") and conforming Regulations prohibit a corporation from making any contribution or expenditure in connection with any Federal election. 2 U.S.C. § 441b; 11 CFR § 114.2(b). The term "contribution or expenditure" is defined to include "any

direct or indirect payment, loan, advance, deposit or gift of money, or any services, or anything of value...to any candidate, campaign committee, or political party or organization, in connection with any [Federal] election." § 441b(b)(2); § 114.1(a)(1). "Anything of value" includes services provided at less than the usual and normal charge, i.e., less than the commercially reasonable hourly or piecework charge for the services prevailing at the time the services were rendered. § 100.7(a)(1)(iii)(B). A.O. 1987-27 CCH Fed. Elec. Camp. Fin. Guide, ¶ 5904 (Oct. 30, 1987) and A.O. 1979-36 [¶ 5421].

The Commission's Regulations prohibit corporations from providing services to political committees in advance of payment unless "credit is extended in the ordinary course of the corporation's business and the terms are substantially similar to extensions of credit to non-political debtors..." § 114.10(a). The Act also requires common carriers regulated by the Federal Communications Commission ("FCC") to comply with FCC rules concerning the extension of credit to political committees. § 451, § 64.801 et. seq.

The making or receipt of various kinds of contributions is prohibited by the Act. These include contributions above specified limits; contributions from corporations, unions, government contractors, and foreign nationals; and contributions in the name of another. §§ 441a, 441b, 441c, 441e, and 441f. Because only small contributions have been permitted using MCI 900 Service (less than $50 per call), the most likely source of prohibited contributions are calls made from telephones for which the caller is a corporation, union, government contractor, or foreign national.

The Act requires the treasurer of each political committee to examine all contributions received for evidence of illegality and compliance with the contribution limits. § 103.3(b). If a contribution cannot be determined to be legal, it must be returned to the contributor within 30 days of the treasurer's receipt. § 103.3(b)(1).

Political committees are required further to keep records of, and report to the Commission, contributions obtained from 900 telephone service and any expenditures for such service. A contribution is equal to the total cost of each call and not to the portion remitted to the political committee. § 100.7(a)(2); A.O. 1990-1, [¶ 5980] (March 1, 1990). A political committee is required to record information concerning first-time contributors only for contributions over $50. § 432(c)(2)-(3), and § 102.9(a)(1)-(2). Although neither

the Act nor the Regulations set forth a specific recordkeeping procedure for contributions under $50, the regulations require that "an account [of all contributions received] shall be kept by any reasonable accounting procedure." § 102.9(a). A Commission Advisory Opinion states that a reasonable method would be "to record the name of the event, and the total amount of contributions received on each day of that event." A.O. 1980-99, [¶ 5550] (Sept. 26, 1980).

The Commission has reviewed the use of 900 Service by political campaign committees in two prior Advisory Opinions. A.O. 1988-2 [¶ 5436] (August 8, 1988) and A.O. 1990-1 [¶ 5980] (March 1, 1990). In its first opinion, the Commission stated that use of the AT&T 900 Service by presidential campaign committees and national political parties would constitute illegal corporate contributions by the service provider, Teleline. A.O. 1988-2. This decision was based on the fact that Teleline intended to absorb all the up-front costs of AT&T tariffs and other minimum charges owed to AT&T for the 900 Service. Teleline also sought to remit royalties based on a percentage of excess revenue to the political committees with no risk on the part of those committees.

A later Advisory Opinion provided that a service provider, Digital Corrections Corporation ("DCC"), could provide 900 Service to candidates and political committees with the proceeds constituting contributions if it required an up-front deposit and withheld some of the proceeds to ensure that it did not finance the operation. A.O. 1990-1 [¶ 5980] (March 1, 1990). A written contract required the deposit to cover programming charges, initialization of a 900 number, ongoing monthly utilization of the assigned number, and bad debt-reserve. In the event the proceeds were less than the deposit, the service provider requested an additional deposit or commenced termination of the program. The up-front deposit was always adequate to cover any losses. Id. at p. 11,604. DCC also agreed to provide detailed summary information to campaign committees containing the callers name, address, telephone number and total individual contributions per caller. Payment for calls attributable to corporate telephones, foreign telephones, or other impermissible callers was not made. Neither the campaign or DCC received payment until the common carrier received payment on the telephone bills sent to callers. The 900 number was publicized by each campaign through various print and broadcast media, at the sole cost of the campaign.

Further, the Commission instructed the service provider to: (i) advise a campaign committee to include a disclaimer in

all advertisements stating the name of the committee authorizing the activity and the person paying for the solicitation; (ii) notify callers that they would be contributors under the Act; (iii) obtain and forward information necessary to comply with the Act's recordkeeping and reporting requirements; (iv) inform the committee of the amounts retained by DCC and the common carrier from proceeds for its costs and fees as reportable operating expenditures; (v) request the telephone company to provide names and addresses so this information could be provided to the committee; (vi) deposit the proceeds in a separate bank account designated by the committee; and (vii) ensure that any assignee or licensee of DCC's contract complies with these requirements. Id. at p. 11,606.

It is MCI's belief that neither Fourth Media, or the Duke Committee has observed many of the procedural formalities requested by the Commission in connection with the use of 900 Service by a political committee for political fundraising. In this regard, MCI has requested both parties to certify that the key elements outlined by the Commission in A.O. 1990-1 have been observed before MCI distributes any 900 Service proceeds to Fourth Media for distribution to the Duke Committee. Specifically, MCI has no basis to believe that Fourth Media has: (i) entered into a written contract with the Duke Committee; (ii) required an up-front deposit; (iii) instructed MCI or SCB to screen out calls from corporations, unions, foreign nationals or other prohibited sources; (iv) required the committee to identify its sponsorship in 900 Service advertising or include a disclaimer in its message to alert callers of their contribution status; (v) informed the Committee of the amounts retained by it and MCI; (vi) deposited proceeds in a segregated account designated by the Committee; or (vii) taken any other action in compliance with Commission regulations.

Please contact me if you require additional information or seek clarification of any points raised herein.

Thank you for your guidance concerning this matter.

Respectfully submitted,

Marc J. Scheineson
For the Firm

cc: John A. Fraser, Esq.

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FEDERAL ELECTION COMMISSION
WASHINGTON D C 20463

November 21, 1990

Marc J. Scheineson
Washington, Perito & Dubuc
1120 Connecticut Avenue, N.W.
Washington, D.C. 20036

Dear Mr. Scheineson:

This refers to your letter dated October 29, 1990, submitted on behalf of your client MCI Telecommunications Corporation ("MCI"), which requests an advisory opinion regarding application of the Federal Election Campaign Act of 1971, as amended ("the Act"), to the disposition of funds held by MCI as a result of 900 line fundraising by a 1990 Senate campaign.

In summary, your letter states that MCI offers 900 line telephone connections, as well as related billing and collection services, to service providers who, in turn, market 900 line service packages to political campaign committees and others. In April 1989, MCI entered into a contract for 900 line services with Iris Enterprises, Inc. of Georgia, doing business under the name Fourth Media ("4M"), which engages in telemarketing and media production activities. In June 1990, 4M began to provide 900 line services for political fundraising purposes to David Duke and the David Duke for U.S. Senate Committee (the "Duke Committee"). You state that, while 4M did not execute a written contract with the Duke Committee, an oral agreement (with the president of 4M) provided for the payment of net call proceeds to the Duke Committee for all calls made to certain publicly advertised 900 line numbers.

Callers who made 900 line calls to the number(s) assigned to the Duke Committee heard recorded messages delivered by David Duke, and they were charged either $10 or $25 on their telephone bills for each call. Billing and collection services for the 900 calls were provided by local telephone exchange companies operating in the Louisiana area and pursuant to contract with MCI. The processing of telephone billings with callers' 900 line charges required the use of data provided by both MCI and the local telephone company. In addition, you indicate that 4M had the ability to obtain lists of names and addresses for those telephone customers whose phones were billed for 900 line calls to the Duke Committee.

In mid August 1990, MCI was notified by the local telephone company that it would not longer provide billing and collection services for 900 line calls to the Duke Committee. (The company cited its policy against providing 900 line services for political campaigns or charitable fundraisers.) Ending these essential services effectively resulted in the termination of all 900 line activity for the financial benefit of the Duke Committee. Thus, no amounts attributable to 900 line calls were paid by MCI or 4M, or anyone else, to the Duke Committee. MCI continues to hold funds paid by the local telephone company which MCI may be contractually obligated to pay to 4M, and which 4M may be obligated to pay to the Duke Committee.

You express the opinion that the informal agreement between 4M and the Duke Committee may implicate violations of the Act and Commission regulations because it allegedly fails to comply with several conditions specified by the Commission in Advisory Opinion 1990-1. The advisory opinion addresses several issues raised in connection with the use of 900 line services for fundraising purposes in Federal election campaigns.

You ask whether MCI's payment of 900 line proceeds to 4M, "and ultimately to the Duke Committee," would constitute a violation of the Act by MCI in the circumstances presented. If so, you further seek the Commission's opinion concerning the proper disposition of the funds.

In connection with this office's preliminary review of your inquiry to determine if it qualifies as an advisory opinion request under 2 U.S.C. §437f and Commission regulations at 11 CFR Part 112, Mr. Litchfield spoke with you by telephone on November 6, 1990. He explained several aspects of the advisory opinion procedure, as set forth in 11 CFR 112.1, including §112.1(c) which provides that an advisory opinion request shall include a complete description of all facts relevant to the specific transaction or activity presented in the request. You indicated by telephone, and in your letter, that you would favorably consider the submission of additional information and clarification of any aspect of your inquiry, if required by this office or the Commission.

This office has recently concluded its preliminary review of your inquiry and has determined that additional documentation and clarification is needed in order to proceed with the inquiry as an advisory opinion request. You are requested to provide the documents described as follows and to answer the questions seeking clarification of certain statements made in your letter. The requested documents and your responses to the questions will become part of the public advisory opinion request file. See 11 CFR 112.2.

1) Provide a copy of the contract between MCI and South Central Bell ("SCB"), a local exchange carrier operating in the Louisiana area, which pertains to local billing and collection services for 900 line calls using the MCI network. (Exhibit A enclosed with your October 29 letter makes no explicit reference to MCI's 900 line service and identifies the contracting entity as Southern Bell Telephone and Telegraph Company, a subsidiary of BellSouth Corporation.)

2) Provide a copy of the agreement for 900 service billing and collection between MCI and Iris Enterprises, Inc., doing business as Fourth Media, Inc. ("4M").

3) Provide copies of all documents constituting the "contractual arrangement" with SCB, and with any other relevant local exchange carrier, in which MCI agreed to bill callers to 900 lines provided to 4M's customers.

4) Provide copies of all letters, memoranda, service description brochures, or similar materials, which are held by MCI or 4M, or any of their officers or employees, and which relate to 900 line services rendered by MCI, by 4M, or by both, to David Duke or the Duke Committee.

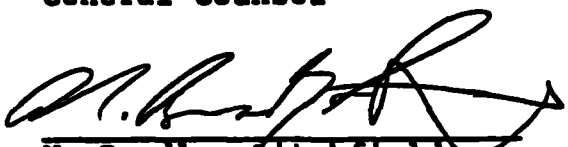
5) Provide a copy of the complaint and other related pleadings filed in the civil action brought by the Duke Committee against SCB in the Eastern District of Louisiana.

6) Explain and clarify the following statements made on page 4, bottom 10 lines, of your letter: SCB "contracted its billing and collection services to MCI" and is under no obligation to furnish 4M or the Duke Committee with names and addresses of 900 line callers; "SCB notified MCI that it [SCB] would no longer provide billing and collection services."

Upon receiving the requested documents and your responses to the above questions, this office and the Commission will give further consideration to your inquiry as an advisory opinion request. If you have any questions concerning this letter or the advisory opinion process, please contact Mr. Litchfield.

Sincerely,

Lawrence M. Noble
General Counsel

By: 
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PAUL D LAXALT
SENIOR COUNSEL

December 3, 1990

HAND DELIVERED

N. Bradley Litchfield, Esquire
Associate General Counsel
Federal Election Commission
PEPCO Building
999 E Street, N.W.
Washington, D.C. 20463

Re: AOR by MCI Telecommunications Corporation

Dear Mr. Litchfield:

Thank you for your response dated November 21, 1990 to the Advisory Opinion Request submitted on behalf of MCI Telecommunications Corporation ("MCI"). I have forwarded your request for additional information and clarification to the appropriate representatives at MCI. This information will be assembled to the extent it is available, and I will submit it directly to you within the next few weeks.

Enclosed with this correspondence are documents contained in my file, and authorized for release to the Commission by MCI. Those documents include:

1. Exhibit "B" - March 17, 1989 Agency Agreement between MCI and Iris Enterprises, Inc. ("Iris") in which Iris, doing business as Fourth Media, agrees to market MCI Services, including 900 Service, as an agent to MCI.

2. Exhibit "C" - April 4, 1989 Agreement for Interim 900 Service Billing and Collection between MCI and Iris, in which MCI makes 900 Service available to Iris together with MCI billing and collection services.

3. Exhibit "D" - Complaint in Duke v. South Central Bell, filed in the U.S. District Court for the Eastern District of Louisiana on August 27, 1990, and a local news article related to the filing the lawsuit.

4. Exhibit "E" - September 17, 1990 notice from Fourth Media notifying MCI of the use of one 900 number by the Duke Campaign and a copy of the scripted messages.

The terms of an agreement between a common carrier and its marketing agent constitutes proprietary information. Competitor carriers may use this information to contact the agent and offer it a "better deal." While the Federal Election Campaign Act and accompanying regulations appear to require the placement of information requested by the Commission in the public record, MCI requests that Exhibits "B" and "C" be protected from public review, if such action is within the authority of the Commission.

Additional information will be provided as soon as it becomes available to assist you in your consideration of our Advisory Opinion Request.

Thank you for your consideration in this matter.

Sincerely,

Marc J. Scheineson

cc: John A. Fraser, Esq.
Tiane L. Sommer, Esq.

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PAUL D LAXALT
SENIOR COUNSEL

February 1, 1991

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HAND DELIVERED

N. Bradley Litchfield, Esquire
Associate General Counsel
Federal Election Commission
PEPCO Building
999 E Street, N.W.
Washington, D.C. 20463

AOR
1991-02

Re: AOR by MCI Telecommunications Corporation

Dear Mr. Litchfield:

Pursuant to our telephone conversation on January 18, 1991, and in order to complete our response to your letter of November 21, 1990, enclosed are the remainder of the documents which are within the possession of MCI and Fourth Media, Inc. These documents are related to 900 service provided to David Duke and the David Duke for U.S. Senate Committee (the "Duke Committee"). These documents supplement those delivered pursuant to the December 3, 1990 submission. The documents include:

1. Exhibit "F" - First Amended Complaint (adding MCI and Fourth Media as party defendants), and all other pleadings filed in Duke v. South Central Bell, et al. as of January 14, 1991.

2. Exhibit "G" - Motion for Stay, and related documents, filed by MCI on January 30, 1991.

3. Exhibit "H" - South Central Bell's Answer to Amended Complaint filed January 22, 1991.

4. Exhibit "I" - September 17, 1990 notice letter from MCI to Fourth Media and Duke Committee.

5. Exhibit "J" - All remaining relevant documents in files of Fourth Media (according to its attorney Winifred Simpson, Esq. - 404-221-0469).

In addition, the following information is provided in response to your November 21, 1990 correspondence:

1. Our Advisory Opinion Request ("AOR") included an April 17, 1989 "Billing and Collection Services Operating Agreement" between MCI and Southern Bell Telephone and Telegraph Company, the predecessor of South Central Bell ("SCB"). The agreement includes billing and collection responsibilities for MCI services including 900 service. This document constitutes the entire contractual arrangement between the parties related to the subject of our AOR. Enclosed is another copy of the contract, and its extensive attachments which were not included with the previous document submissions (Exhibit "K").

2. The statements included on the bottom 10 lines of page 4 of our AOR are clarified as follows:

SCB contracted its billing and collection services to MCI through the contract between MCI and Southern Bell Telephone and Telegraph Company previously provided. That contract addressed SCB's billing and collection services for certain types of MCI services including 900 service. SCB agreed to present a final bill to the callers to which it provided local telephone service. MCI provided SCB periodically with an electronically-recorded list of telephone numbers that placed calls to 900 numbers. That automatic number identification system ("ANI") permitted SCB to use its own proprietary data base to match those telephone numbers with billing names and addresses and include 900 charges in monthly bills to its local customers. SCB is not contractually obligated to provide callers' names and addresses to MCI or MCI customers such as Fourth Media. SCB's notice to MCI that it would terminate billing and collection services to the Duke Committee meant that SCB would no longer place charges for 900 calls associated with the Duke Committee on customer bills.

The attorney for Fourth Media has reviewed all information included in the AOR and verified it with her client. Additionally, she has provided me with all information related to this matter which was contained in the files of Fourth Media.

SCB delivered to MCI the amounts associated with these 900 service calls in accordance with its billing and collection agreement. MCI seeks the opinion of the Commission concerning the underlying legality of the transaction described factually in the AOR, and the proper disposition of the funds related to that transaction now held in escrow.

In light of A.O. 1980-99 (September 26, 1980); A.O. 1990-1 (March 1, 1990); and A.O. 1990-14 (December 19, 1990), we believe the Commission has thoroughly evaluated the relationship of 900 service providers (including a common carrier) and has enunciated procedures required to avoid the direct or indirect payment of illegal corporate contributions to a political organization in connection with a Federal election. MCI requires the benefit of the Commission's experience in determining whether the transaction thoroughly described and documented in our AOR, and accompanying correspondence, complies with the procedures enunciated by the Commission so that payments made to Fourth Media and to the Duke Campaign would comply with the Federal Election Campaign Act of 1971. As you can see by reviewing MCI's Motion for Stay, the company relies upon the expertise of the Commission in helping resolve the basis of the lawsuit filed against it in Louisiana.

I would welcome the opportunity to meet with you and your staff to discuss this matter further, as appropriate, or to answer any additional questions.

Best personal regards.

Sincerely,

Marc J. Scheineson
For the Firm

cc: John A. Fraser, Esq.

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EXHIBIT A

EXHIBIT A IS THE BILLING AND COLLECTION SERVICES OPERATING AGREEMENT. IT ALSO APPEARS ON THE FIRST 17 PAGES OF EXHIBIT K.

Exhibit "B"

AGENCY AGREEMENT

AGREEMENT made this 17 day of ~~February~~ March, 1989 by and between MCI Telecommunications Corporation ("MCI"), 1133 19th Street, N.W. Washington, D.C. 20036, a Delaware corporation, and Iris Enterprises, Inc. ("Agent"), a Georgia corporation.

WHEREAS, MCI wishes to expand the public's access to certain of its Services, as described in MCI Tariff FCC No. 1, any state tariffs, and any amendments thereto or successor tariffs (together, the "MCI Tariff"), through additional outlets for sales; and

WHEREAS, Agent desires to market the MCI Services set forth in Exhibit A ("Services") as an agent of MCI;

NOW, THEREFORE, the parties agree as follows:

1. Grant of Agency. Subject to the terms of this Agreement, Agent is hereby appointed an independent agent authorized to solicit in the territory described in Exhibit B hereto ("Territory"), on behalf of MCI, customers for the Services. Agent is further authorized to appoint subagents hereunder, each of which shall be subject to the terms of this Agreement and bound by the obligations applicable to Agent as if each subagent were party hereto.

2. Relationship of Parties.

(a) Agent shall have no authority to bind MCI by contract or otherwise or to make representations as to the policies and procedures of MCI other than as specifically authorized by this Agreement. MCI and Agent acknowledge and agree that their agency relationship arising from this Agreement does not constitute or create a general agency, joint venture, partnership, employee relationship or franchise between them and that Agent is an independent contractor with respect to the services provided by it under this Agreement.

(b) Agent shall identify itself as an authorized agent of MCI only with respect to the Services and shall otherwise identify itself as an independent business. Unless specifically authorized in writing, neither MCI nor Agent shall make any express or implied agreements, guarantees or representations, or incur any debt, in the name of or on behalf of the other.

(c) Agent's employees shall not be or be deemed to be MCI employees or joint employees. Agent assumes full responsibility for the acts of its employees and for their supervision, daily direction and control. MCI shall not be responsible for worker's compensation, disability benefits, unemployment insurance, withholding taxes, social security and any other taxes or benefits for Agent's employees.

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3. Obligations of Agent.

(a) Agent hereby accepts the appointment by MCI as its authorized agent to solicit orders for the Services subject to terms and conditions of this Agreement.

(b) Agent shall use MCI-approved marketing materials and order forms, only.

(c) AGENT SHALL MAKE NO REPRESENTATIONS OR WARRANTIES RELATING TO THE SERVICES EXCEPT AS SET FORTH IN SALES LITERATURE PROVIDED AGENT BY MCI OR AS SET FORTH IN THE FORM OR FORMS OF ORDERS PROVIDED AGENT BY MCI, OR AS OTHERWISE EXPRESSLY PERMITTED BY MCI.

(d) Agent acknowledges and agrees that MCI directly or through other sales agents may offer the Services in the Territory and that Agent shall be entitled to no compensation for sales made through such other channels.

(e) Agent will not solicit customers for any like services offered by any entity other than MCI.

(f) Agent shall give prompt, courteous and efficient service to the public and all business dealings with members of the public will be governed by the highest standards of honesty, integrity and fair dealing. Agent will do nothing which would tend to discredit, dishonor, reflect adversely upon or in any manner injure the reputation of MCI.

(g) In the event MCI is required to enforce or preserve its rights hereunder, Agent shall pay all MCI's reasonable attorney's fees and costs, including allocable costs of in-house counsel, incurred in enforcing or preserving such rights.

(h) Agent shall obtain MCI's prior written approval for the appointment of each subagent hereunder. Agent shall promptly notify MCI in writing of the appointment and removal of each subagent hereunder. Agent shall be responsible for all acts and omissions of subagents as if subagents were Agent and each subagent shall agree to be subject to the terms of this Agreement. MCI may communicate with Agent only or directly with subagents. Agent shall ensure that subagents receive all necessary and appropriate directions. Agent shall further be responsible for distributing compensation received from MCI hereunder to subagents as appropriate.

4. Obligations of MCI.

(a) MCI shall compensate Agent for its services in soliciting each account hereunder in accordance with the Commission Structure set out in Exhibit C.

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(b) MCI shall provide Agent with reasonable quantities of sales literature, sales aids and order forms to be used by Agent in its activities as provided by this Agreement.

(c) MCI shall provide Agent such training as MCI deems appropriate.

5. Tradenames and Trademarks.

(a) During the term of this Agreement, unless otherwise instructed by MCI, Agent may refer to itself as an MCI Services Agent, but solely in connection with the marketing of Services hereunder. Agent may use only such other MCI trademarks, tradenames, and service marks ("Marks") as may be authorized by MCI in writing, subject to any and all limitations contained in the grant of the right of such use.

(b) Upon termination of this Agreement, any permission or right to use Marks granted hereunder shall cease to exist and Agent shall immediately cease any use of such marks and immediately cease referring to itself as an MCI Services Agent.

6. Term and Termination. The term of this Agreement shall be twenty four (24) months from the date of execution hereof, or until either party gives notice of termination to the other, pursuant to this Agreement, whichever first occurs.

7. Non-Competition/Confidentiality.

(a) During the term of this Agreement Agent shall not contact, solicit or contract with any persons or entities to market services offered by any person or entity other than MCI that are similar or identical to the Services.

(b) Any specifications, drawings, sketches, data or technical or business information, and any other material ("Information"), furnished or disclosed by MCI to Agent hereunder, shall be deemed the exclusive property of MCI. In addition, any customer names or lists of MCI customers as such and related information or data ("Customer Information") are the exclusive property of MCI, and are to be used by Agent solely in the performance of its obligations and duties hereunder and are to be returned to MCI upon termination of this Agreement.

(c) During the term of this Agreement and for a period of three (3) years after termination of this Agreement, Agent agrees not to reveal, divulge, make known, sell, exchange, lease or in any other way transfer any Information or Customer Information to any third party or to utilize such Information or Customer Information in direct or indirect competition with MCI or any of its other Agents. Agent agrees that monetary damages for breach of its obligations under this Section may not be adequate and that MCI shall be entitled to injunctive relief with respect thereto.

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8. Indemnification. Agent shall indemnify, defend and hold harmless MCI from and against any claims, demands, actions, damages, liability and expenses, including reasonable fees of counsel and allocable costs of in-house counsel, relating in any manner out of the subject matter of this Agreement and arising out of the willful or negligently wrongful act or omission of Agent ("Indemnifiable Matter"). MCI shall notify Agent of any such Indemnifiable Matter and shall cooperate with Agent in defense thereof. MCI may defend directly any Indemnifiable Matter which MCI determines would, if adversely decided, have an adverse effect upon MCI. Notwithstanding MCI's election to defend itself, Agent shall indemnify MCI for its costs of counsel related to such defense and for any damages, liability and expenses arising from the Indemnifiable Matter defended against.

9. Limitation of Liability.

(a) NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR SPECIAL, INDIRECT, CONSEQUENTIAL DAMAGES, WHETHER OR NOT FORESEEABLE, OR PUNITIVE DAMAGES.

(b) MCI shall have no liability to Agent for commissions that might have been earned hereunder but for the inability or failure of MCI to provide Services to any person solicited by Agent or in the event of discontinuation or modification of the Services.

(c) In the event MCI receives conflicting orders for Services from different agents or MCI employees, MCI may in its sole discretion determine who shall receive credit for such orders.

10. Compliance with Law.

(a) Agent shall, at its own expense, operate in full compliance with all laws, rules and regulations applicable to, and maintain in force all licenses and permits required for, its performance under this Agreement.

(b) Agent shall notify MCI in writing immediately of the commencement or threatened commencement of any action, suit or proceeding, and of the issuance or threatened issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, involving Agent's activities under this Agreement or which may affect Agent's ability to perform its obligations hereunder.

11. Cumulative Rights. The rights of MCI and Agent hereunder are cumulative and no exercise or enforcement of any right or remedy hereunder shall preclude the exercise or enforcement of any other right or remedy hereunder.

12. Non-Waiver. No failure by MCI to take action on account of any default by Agent shall constitute a waiver of any such default or of the performance required of Agent.

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13. Impossibility of Performance. Neither MCI nor Agent shall be liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from (a) compliance with any law, ruling, order, regulation, requirement of any federal, state or municipal government or department or agency thereof or court of competent jurisdiction; (b) acts of God; (c) acts or omissions of the other party; (d) fires, strikes, war, insurrection or riot; (e) or any other cause beyond its reasonable control. Any delay resulting therefrom shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable.

14. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns; provided, however, that Agent may not assign or otherwise transfer this Agreement or any of its interest herein without the prior and express written consent thereto by MCI. Neither the whole nor any part of the interest of Agent in this appointment shall be transferred or assigned by operation of law.

15. Notices. Notices to be given pursuant to this Agreement shall be in writing and shall be deemed to have been duly and properly given on the earlier of (a) the date such notice has been received or (b) five (5) days after deposit of such notice in the United States Mail, postage prepaid, to be delivered by certified mail, return receipt requested, addressed to the party at the address given above or at such address as it may designate in writing from time to time.

16. Controlling Law. This Agreement, including all matters relating to the validity, construction, performance and enforcement thereof, shall be governed by the laws of the State of New York without giving reference to its principles of conflicts of law.

17. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and all prior agreements and representations of the parties respecting the subject matter hereof, whether written or oral, are merged herein and shall be of no further force or effect. This Agreement cannot be changed or modified except by an instrument in writing signed by the parties hereto.

18. Severability. No provision of this Agreement which may be deemed unenforceable shall in any way invalidate any other provisions of this Agreement, all of which shall remain in full force and effect.

19. Headings. The section numbers and captions appearing in this Agreement are inserted only as a matter of convenience and are in no way intended to define, limit, construe or described the scope or intent of such sections of this Agreement, or in any way affect this Agreement.

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20. Incorporation. Exhibits A, B, and C attached hereto are hereby incorporated herein as if specifically set forth in this document.

21. Agent agrees it will submit a customer list to MCI prior to issuing orders for MCI to serve such customer(s). MCI reserves the right not to serve any such customer(s).

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year first above written.

MCI TELECOMMUNICATIONS CORPORATION

By:

Title: Vice President, National Account

AGENT

By:

Title: President/C.E.O.

JSS:494

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EXHIBIT A

SERVICES

Agent may solicit customers for the following MCI services: 800 and 900.

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EXHIBIT B

TERRITORY

There are no territory limitations as long as MCI has facilities in close proximity to the location agent wishes MCI to serve. However, Iris can only terminate traffic at HSN or at its site in Atlanta, Georgia.

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EXHIBIT C

COMMISSIONS

Commissions are to be paid only if traffic terminates at HSN or at Iris' Atlanta, Georgia facility. If payable, commissions shall be paid pursuant to the following schedule, on an incremental basis:

Monthly Revenue	Commission
$ 0 - $ 250,000	-0- %
$ 250,000 - $ 500,000	.25%
$ 500,000 - $ 750,000	.50%
$ 750,000 - $1,000,000	.75%
$1,000,000 - above	1.00%

When the eligible monthly revenue reaches $250,000, a .25% commission will be paid on all traffic from $0.00 to $250,000.

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Exhibit "C"

AGREEMENT FOR INTERIM 900 SERVICE BILLING AND COLLECTION

THIS AGREEMENT, made on April 4, 1989, is between MCI Telecommunications Corporation ("MCI"), a Delaware corporation, and Iris Enterprises, Inc. ("Sponsor"), a Georgia corporation.

WHEREAS, Sponsor desires to provide to and/or exchange with its customer certain information using the MCI network as a transmission medium; and

WHEREAS, MCI has developed a service utilizing the 900 NPA for the provision of multiple, simultaneous, inbound, two-way long distance calls ("900 Service"); and

WHEREAS, THE 900 Service is being made available to Sponsor on an interim basis, prior to commercial availability, so that both MCI and Sponsor can test and evaluate this newly available service; and

WHEREAS, MCI, through arrangements with local exchange carriers, will bill Sponsor's customers, on Sponsor's behalf, for the charges associated with the service Sponsor furnishes to its customers who have called using the 900 Service; and

WHEREAS, MCI will remit to Sponsor billed and collected Sponsor customer charges, net of MCI's charges to Sponsor for 900 Service usage and discounted for uncollectibles;

NOW, THEREFORE, in consideration of the premises and other good and valuable considerations, the parties agree as follows:

1. Subscription to 900 Service.

Sponsor subscribes to MCI 900 Service in accordance with the terms of MCI tariffs governing the service.

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2. Testing

Sponsor shall reasonably cooperate with MCI in testing and evaluating the 900 Service. During the test, MCI may make such changes in the 900 Service as it deems appropriate in furtherance of its testing and evaluation program. At the conclusion of the testing period, if MCI makes 900 Service commercially available, Sponsor may elect to continue to take 900 Service subject to MCI's then available commercial terms.

3. Service; Charges

3.1 Prior to use, Sponsor shall submit to MCI a copy of all scripts or pre-recorded messages to be placed on 900 Service along with a copy of any advertising and promotional material to be used in connection therewith. Sponsor shall not use the service to transmit obscene, indecent or otherwise unlawful messages. MCI reserves the right to withhold service or discontinue service if the character of the messages or advertising is unlawful or is consistent with MCI's public image.

3.2 Sponsor shall supply the following additional information, by service application: an initial traffic forecast by month for twelve months with monthly updates thereafter, identification of anticipated busy hours, identification of geographical marketing target areas and a schedule of marketing and promotional activities.

3.3 To permit adequate planning and response time for meeting peak traffic volumes, Customer shall provide not less than (10) business days notice prior to implementation of special advertising or other new programs.

3.4 The charge(s) for Sponsor's services contained in Exhibit A, as amended from time to time, to this Agreement are the charges to be billed to

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its customers by MCI. Sponsor shall give MCI not less than thirty (30) days written notice of any change in the charges to be billed to its customers by MCI. MCI will not bill Sponsor charges in excess of Ten Dollars ($10.00) per call. MCI will not bill for purchases of products. Charges shall be fixed per call (not usage sensitive); provided, that charges may be either fixed per call or usage sensitive as soon as MCI is capable of providing usage sensitive billing. MCI anticipates usage sensitive billing will be available in May 1989.

3.5 MCI will undertake, as agent of Sponsor, billing and collecting of Sponsor charges. MCI's undertaking is subject to Section 5, "Billing Services; Taxes."

4. Disclosure to Customers

4.1 Sponsor shall reasonably disclose the following in print and broadcast materials promoting its offering(s):

4.1.1 The charges for its offering(s) to be billed by MCI as Sponsor's agent.

4.2.2 Any geographic limitations upon the availability of Sponsor's offering(s), as a consequence either of Sponsor's determination or of MCI limitations associated with the 900 Service and features.

5. Billing Services; Taxes

5.1 MCI will undertake to secure recording, message processing, bill processing, bill rendering, inquiry, collection and remittance services on calls associated with Sponsor's offering(s) which are to be billed by MCI.

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5.2 MCI's billing services will be performed as agent for Sponsor.

5.3 MCI's undertaking will include good faith efforts to secure billing services from local exchange carriers ("LECs").

5.4 If in MCI's judgment MCI is unable to secure adequate billing services from one or more LECs, Sponsor and MCI shall revise this Agreement to accommodate any billing problem or, at MCI's option, MCI may terminate this AGreement without penalty immediately upon written notice to Sponsor.

5.5 Taxes

5.1.1 MCI will undertake to collect, file returns for and remit, as agent for Sponsor, any taxes ("Taxes") payable by callers as a result of use of Sponsor's offerings. Sponsor releases MCI and LECs from all liability arising out of MCI and LECs computation, billing, collection and remittance of Taxes. Taxes included in callers' bills may be separately stated from Sponsor's charges. Sponsor is not engaged in the provision of telecommunications services. MCI may retain any statutory fee or share of taxes to which the party collecting Taxes is entitled under applicable law.

5.2.2 MCI or LECs shall handle all communications from callers concerning Taxes and shall make all determinations concerning removal, addition or adjustment of Taxes.

5.3.3 MCI or LECs shall handle all communications with taxing authorities concerning Taxes.

5.5.4 Sponsor shall indemnify and hold harmless MCI, from and against any liability or loss incurred by MCI resulting

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from any taxes or tax-related charges imposed or to be imposed on callers, including penalties, interest, addition to Taxes, surcharges or other charges or expenses and reasonable attorneys' fees resulting from any cause whether or not due to the fault of MCI, including but not limited to claims by callers that taxed services were not taxable.

5.5.5 If a taxing jurisdiction asserts a claim against MCI for which Sponsor must indemnify or hold harmless MCI ("Claim"), MCI shall notify Sponsor and shall keep Sponsor reasonably informed of the progress of the Claim and MCI's actions in defense thereof; provided, however, that MCI shall retain control over the contest concerning such Claim, including any protest, appeal, litigation and proceeding, and further including selection of counsel, and MCI shall pursue same with diligence and good faith. If any amount is required to be paid prior to contesting the Claim, or in the event the period for contesting the Claim has expired, Sponsor shall pay the amount of the Claim. MCI may, from time to time, bill and collect from Sponsor all or any portion of such payments, including interest, penalties and MCI's reasonable attorneys' fees. Sponsor shall remit payment within thirty days of the date of any such bill or MCI may offset such amount from amounts otherwise due Sponsor under this Agreement. If MCI is

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successful in contesting any claim Sponsor has so paid, MCI shall reimburse Sponsor to the extent MCI is reimbursed, less costs and expenses incurred by MCI in contesting the Claim not otherwise paid by Sponsor.

6. Remittance

6.1 MCI shall remit to Sponsor the net amount of Sponsor's charges ("Net Amount") within ninety (90) days after the close of the billing cycle in which the charges were incurred. MCI shall determine the Net Amount based on MCI records of the number of billable calls in the relevant billing period. MCI's determination shall be final. If the Net Amount is negative, MCI shall render an invoice for and Sponsor shall pay within thirty (30) days after invoice date the negative amount.

6.2 The Net Amount shall be calculated by subtracting from Sponsor's charges the following:

6.2.1 MCI usage and related charges for 900 Service.

6.2.2 An uncollectible discount rate applied to Sponsor's charges, to reflect uncollectible bad debt amounts, initially equal to four percent (4%) of the Sponsor's charge to its customer for the call.

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7. Responsibility for Services; Indemnification

7.1 Sponsor acknowledges that it shall be solely responsible for its offering(s), for the content of all messages delivered to callers, and for all representations made during customer contacts. Sponsor shall be solely responsible for the content and nature of all promotions and advertising to induce calls and shall conspicuously disclose in all such promotions and advertising that Sponsor is solely responsible for the content of all messages delivered to callers and for all representations made during customer contacts. Sponsor agrees to defend and idemnify MCI and hold MCI harmless from all claims, actions, damages, complaints and expenses (including attorney's fees, to the extent reasonably incurred) arising out of Sponsor's offering(s), messages, customer contacts, promotions and advertising, including libel and slander.

7.2 Sponsor acknowledges that it shall be solely responsible for the quality of services covered by its offering(s) to be billed by MCI. MCI makes no warranties, express or implied, with respect to the quality, merchantability, fitness for a particular purpose or suitability for customers of Sponsor's services. Sponsor agrees to defend and idemnify MCI and to hold MCI harmless from all claims, actions, damages and complaints arising out of Sponsor's offering(s) to be billed by MCI.

7.3 If MCI receives any complaints regarding Sponsor's messages, representations, promotions, advertising, or services, or if any claims are made against MCI arising from them, then MCI may immediately cancel this Agreement and all billing and collection services rendered under it. In the alternative, MCI may require the Sponsor to post a bond, in a form and an amount acceptable to MCI to assure payment to MCI for its billing services rendered pursuant to this Agreement.

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8. Limitations of Liability

8.1 In the absence of willful misconduct, MCI shall have no liability to Sponsor in respect of its acts or omissions in the performance of billing services under this Agreement.

8.2 MCI's liability to Sponsor for willful misconduct in its performance of billing services under this Agreement shall be limited to Sponsor's direct damages which are the proximate result of MCI's act or omission.

8.3 IN NO EVENT SHALL MCI BE LIABLE TO SPONSOR FOR ANY INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE LOSS OR DAMAGE OF ANY KIND, INCLUDING LOST PROFITS (WHETHER OR NOT MCI HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSS OR DAMAGE), BY REASON OF ANY ACT OR OMISSION IN ITS PERFORMANCE UNDER THIS AGREEMENT.

8.4 IN NO EVENT SHALL MCI BE LIABLE TO SPONSOR FOR ANY ACTS OR OMISSIONS OF LECs, WHERE MCI HAS SECURED BILLING SERVICES FROM LECs PURSUANT TO SECTION 4.3, ABOVE.

9. Reservation of Rights, Rights to Terminate

9.1 This Agreement is expressly contingent upon MCI's ability to secure necessary billing services, if any, from LECs, as described in Sections 5.3 and 5.4. In the event any participation required of LECs is not secured, MCI may terminate this Agreement immediately, without penalty, upon written notice to Sponsor.

9.2 In the event of complaints or claims, as described in Section 7.3, MCI shall have the option of immediate termination, without penalty, upon written notice to Sponsor.

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9.3 MCI reserves the right to terminate this Agreement if MCI determines, in its sole discretion, that long distance service may be adversely affected or that the proposed Sponsor offering may adversely affect MCI's public image or damage MCI's reputation or goodwill.

9.4 In the event MCI exercises its option under Section 7.3 to require Sponsor to post a bond or other acceptable security deposit and Sponsor fails to do so, then MCI may terminate this Agreement immediately, without penalty, upon written notice to Sponsor.

10. Term and Termination by Either Party

10.1 This Agreement shall remain in full force and effect until terminated in accordance with its terms. Either party may terminate the Agreement without cause upon at least thirty days' prior written notice to the other party. Notwithstanding any notice of termination, this Agreement shall remain effective in respect of any transaction occurring prior to such termination.

10.2 Upon termination by either party of this Agreement, Sponsor shall have the option of continuing or terminating any MCI service associated with its offering(s). Applicable tariff termination charges, if any, shall apply to terminated network services.

11. Representatives; Notices

11.1 MCI's Representative is _____ or such other person as may be designated in writing by MCI from time to time. Sponsor's Representative is A.H Turpin or such other person as may be designated in writing by Sponsor from time to time.

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11.2 Whenever any notice or demand is to be given under this Agreement, the notice shall be in writing and addressed to the party's representative. Notices delivered by hand shall be deemed given on the date of delivery. Notices not delivered by hand shall be sent registered mail, return receipt requested, and shall be deemed delivered on the date appearing on the return receipt postcard.

12. Force Majeure

12.1 Either party's delay in, or failure of, performance under this Agreement shall be excused where such delay or failure is caused by an act of God, fire or other catastrophe, electrical, computer or mechanical failure, workstoppage, delays or failure to act of any carrier or agent (including the LECs) or any other cause beyond a party's direct control, including, in the case of MCI, regulatory restrictions.

13. Assignment

13.1 This Agreement may not be assigned by Sponsor.

14. Governing Law

14.1 This Agreement shall be governed by and interpreted in accordance with the domestic laws of the State of New York.

14.2 To the extent any Sponsor offering includes subscription for MCI service under tariff, the applicable federal and state tariffs and the rates, terms and conditions applicable to that service shall govern the provision of that service and any related federal or state regulations shall also apply to the provision of that service.

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15. No Waiver

15.1 The failure of either party at any time to enforce any right or remedy available to it under this Agreement with respect to any breach or failure by the other party shall not be construed to be a waiver of such right or remedy with respect to any other breach or failure by the other party.

16. Severability

16.1 If any provision of this Agreement is held invalid, unenforceable or void, the remainder of the Agreement shall not be affected thereby and shall continue in full force and effect.

17. Entire Agreement; Amendments

17.1 This Agreement and the Exhibits hereto constitutes the entire agreement between the parties. No prior or contemporaneous written or oral representations form a part of this Agreement, and this Agreement supersedes all prior oral or written agreements between the parties relating to the subject matter of this Agreement.

17.2 No amendment, modification or supplement to this Agreement shall be effective unless it is in writing and either signed by authorized representatives of both parties, or signed by one party if such party is the party to be charged.

18. Arbitration

18.1 Any dispute arising in any manner under this Agreement that cannot be resolved by negotiation between the parties shall be subject to mandatory, exclusive arbitration under the commercial arbitration rules of the American

Arbitration Association. Neither party may take any other action by way of request for injunctive relief or otherwise. The order of the arbitrator may be entered in any court of competent jurisdiction.

19. Headings

19.1 The headings in this Agreement are included for convenience only and shall not be construed to define or limit any of the provisions contained herein.

IN WITNESS WHEREOF, the parties have set their hands the day and year first above written, acting through their authorized representatives.

Iris Enterprises, Inc.	MCI TELECOMMUNICATIONS CORPORATION
	Accepted by:
By: _____ (Authorized Signature)	_____ (Authorized Signature)
A. H. Tuggin, Sr. (Typed or Printed Name)	(Typed or Printed Name)

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LEGAL OBLIGATIONS REGARDING CARRIAGE

- AS A COMMON CARRIER ENGAGED IN INTERSTATE COMMUNICATIONS, MCI IS OBLIGATED TO RESPOND TO REASONABLE REQUESTS FOR SERVICE. 47 U.S.C. SECTION 201(a).

- IN ADDITION, MCI IS PROHIBITED FROM UNJUSTLY OR UNREASONABLY DISCRIMINATING IN CHARGES, PRACTICES, CLASSIFICATIONS, REGULATIONS, FACILITIES OR SERVICES FOR OR IN CONNECTION WITH LIKE COMMUNICATION SERVICES. 47 U.S.C. SECTION 202(a).

- HOWEVER, SECTION 223(b)(1) OF THE COMMUNICATIONS ACT PROHIBITS THE KNOWING TRANSMISSION OF OBSCENE OR INDECENT COMMUNICATIONS MADE FOR A BUSINESS PURPOSE.

DEFINITIONS OF OBSCENITY AND INDECENCY

- THE DEFINITION OF OBSCENITY REQUIRES APPLICATION OF A THREE-PART TEST:

  (1) whether "the average person, applying contemporary community standards," would find that the work, taken as a whole, appeals to the purient interest;

  (2) whether the work depicts or describes, in a patently offensive way, sexual conduct specifically defined by applicable state or federal law; and

  (3) whether the work, taken as a whole, lacks serious literary, artistic, political or scientific value.

- NO COMPREHENSIVE DEFINITION OF INDECENCY EXISTS. THE SUPREME COURT HAS SUGGESTED THAT INDECENCY IS EXPRESSION 'THAT DESCRIBED IN TERMS PATIENTLY OFFENSIVE AS MEASURED BY CONTEMPORARY COMMUNITY STANDARDS FOR THE BROADCAST MEDIUM, SEXUAL OR EXCRETORY ACTIVITIES AND ORGANS, AT TIMES OF THE DAY WHEN THERE IS A REASONABLE RISK THAT CHILDREN MAY BE IN THE AUDIENCE."

PROPOSED MCI POSITION ON CARRIAGE OF 900 TRAFFIC

- MCI WILL ASK THE INFORMATION SERVICE PROVIDER (IP) IF THE PROPOSED 900 MESSAGE IS OBSCENE, INDECENT OR OTHERWISE UNLAWFUL.

- IF THE ANSWER IS YES, MCI WILL REFUSE TO PROVIDE SERVICE TO THE IP.

- IF THE ANSWER IS NO, MCI WILL PROVIDE SERVICE TO THE IP. MCI WILL REFRAIN FROM SCREENING THE IP'S MESSAGE OR REVIEWING ANY IP ADVERTISING MATERIALS.

- IF, AFTER INITIATION OF SERVICE, MCI RECEIVES COMPLAINTS FROM END USERS WHICH ALLEGE THAT THE IP'S MESSAGE IS OBSCENE OR INDECENT, MCI WILL REFER THE COMPLAINTS TO THE FCC FOR INVESTIGATION AND NOTIFY THE CUSTOMER WE HAVE DONE SO.

- IF THE FCC DETERMINES THAT THE MESSAGE IS OBSCENE OR INDECENT, MCI WILL TERMINATE SERVICE TO THE IP.

BILLING OF 900 TRAFFIC

- o MCI WILL ASK TO IP TO SELF-CERTIFY WHETHER ITS 900 APPLICATION IS CONTROVERSIAL OR IS A GAB/CHAT APPLICATION. GROUP ACCESS BRIDGED (GAB) OR CHAT APPLICATIONS INVOLVE LIVE CONVERSATIONS AMONG MULTIPLE CALLERS AND, IN SOME CASES, PROGRAM SPONSOR REPRESENTATIVES.

  - IF YES, MCI WILL BE WILLING TO CARRY THE 900 PROGRAM, BUT REFUSE TO OFFER THE BILLING OPTION.

  - IF NO, MCI WILL PROVIDE THE BILLING OPTION. CUSTOMERS WILL BE ON NOTICE THAT VIOLATIONS OF GUIDELINES WILL LEAD TO DISCONTINUATION OF THE BILLING OPTION, BUT WILL NOT RELIEVE THE CUSTOMER OF LIABILITY FOR PAYING MCI'S 900 CHARGES.

IF AN IP'S MESSAGE IS REJECTED BY A LEC FOR BILLING, MCI MAY REFUSE THE BILLING OPTION WITHIN 5 DAYS OF WRITTEN NOTIFICATION.

IF, AFTER INITIATION OF SERVICE, MCI RECEIVES A COMPLAINT FROM AN END-USER REGARDING THE CONTENT OF THE IP'S MESSAGE, MCI WILL REVIEW THE MESSAGE AND DETERMINE IF BILLING SHOULD CEASE. IF MCI CONCLUDES THAT THE MESSAGE IS CONTROVERSIAL OR A GAB/CHAT APPLICATION, BILLING WILL STOP WITHIN 5 DAYS OF THE DECISION, AND THE CUSTOMER WILL BE NOTIFIED IMMEDIATELY.

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DEFINITION OF CONTROVERSIAL MATERIALS

- COMMUNICATIONS WHICH ARE EXPLICITLY OR IMPLICITLY SEXUAL IN NATURE.

- COMMUNICATIONS WHICH ARE LIKELY TO OFFEND AN ETHNIC, RACIAL, GENDER, OR RELIGIOUS GROUP; COMMUNICATIONS WHICH DEFAME ARE THOSE WHICH HOLD UP A PERSON OR GROUP TO RIDICULE, SCORN OR CONTEMPT IN A RESPECTABLE OR CONSIDERABLE PART OF THE COMMUNITY. COMMUNICATIONS WHICH DEFAME TEND TO HARM THE REPUTATION OF ANOTHER AS TO LOWER HIM OR HER IN THE ESTIMATION OF THE COMMUNITY OR TO DETER THIRD PERSONS FROM ASSOCIATING OR DEALING WITH HIM OR HER.

- COMMUNICATIONS WHICH APPEAL PRIMARILY TO CALLING BY CHILDREN.

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LEC BILLING RESTRICTIONS/ISSUES

NYNEX - INTERIM BILLING AGREEMENT ALLOWS FOR AUTOMATIC CREDITS FOR 900 CALLS UPON END-USERS' FIRST REQUEST/COMPLAINT (NOT YET EXECUTED). OTHER RESTRICTIONS DISCUSSED FOR THE COMMERCIAL PRODUCT INCLUDE GAB LINES AND PORNOGRAPHY.

BELL ATLANTIC - POLICY STATEMENT OF AUGUST 1 REQUIRES SEPARATE NXX'S FOR ADULT PROGRAMMING AND IXC BLOCKING AT THE REQUEST OF END-USER'S.

BELLSOUTH - TARIFF PROHIBITS THE CARRIAGE OF ADULT MESSAGES. HAVE STATED THAT THEY WILL NOT BILL FOR PLEDGES. HAVE DISTINGUISHED BETWEEN "PREMIUM" AND "NON-PREMIUM" SERVICES. "PREMIUM" BEING ANY CALL THAT THE "SERVICE" IS NOT PROVIDED DURING THE DURATION OF THE CALL. HIGHER BILLING RATES WILL BE APPLIED TO "PREMIUM" SERVICES (NOT YET DETERMINED).

AMERITECH - WILL NOT BILL FOR "OBJECTIONABLE MESSAGES". HAVE ADOPTED BROAD GUIDELINES DETAILING WHAT IS OBJECTIONABLE. REQUIRES THAT ALL PROGRAM AND ADVERTISING SCRIPTS BE APPROVED BEFORE BILLING FOR A PROGRAM CAN BEGIN.

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LEC BILLING RESTRICTIONS/ISSUES

SWBT	-	WILL NOT BILL FOR ADULT SERVICES OR GAB LINES.
U.S. WEST	-	ISSUES REVOLVE AROUND "TELECOMMUNICATIONS" VS "NON-TELECOMMUNICATION" SERVICES. WILL REQUIRE SCREENING.
PACBELL	-	NO SPECIFIC RESTRICTIONS.
GTE	-	INTERIM AGREEMENTS STATES THEY WILL NOT BILL FOR UNLAWFUL CALLS (WHICH INCLUDES OBSCENE, FRAUDULENT, ETC.).
UNITED	-	WILL NOT BILL FOR ADULT SERVICES, PLEDGES, ETC.
ALLTEL	-	NO SPECIFIC RESTRICTIONS.
CENTEL	-	HAVE RAISED CONCERNS OVER ADULT SERVICES. OPEN DISCUSSIONS ARE JUST BEGINNING.

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MCI Telecommunication
Corporation
Southeast Division
400 Perimeter Center Terrace NE
Suite 400
Atlanta Georgia 30346
404 668 6000

April 3, 1989

Mr. Phil Chakiris
Iris, Inc.
3277 Roswell Road
Suite 404
Atlanta, GA 30305

Dear Phil:

Enclosed is the 900 Agreement to be executed between Iris, Inc. and MCI. Please note that you need to supply a name on Page 9, and execute page 12.

Please return to me thereafter for further processing.

Best regards,

John S. Searles
Contract Administrator
Southeast Division

cc: C.Tom Faulders
Glenn Phillips
Ben Ditta
Mike Bosse
David Palmer

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Exhibit "D"

UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE	*	CIVIL ACTION 90-3088
VERSUS	*	NO. SECT. GIAG. 2
SOUTH CENTRAL BELL, INC.	*	MAGISTRATE

* *

COMPLAINT

Now comes plaintiffs, David Duke, a person of the full age of majority and David Duke for U.S. Senate Committee, who respectfully represent as follows:

STATEMENT OF JURISDICTION AND VENUE

1. The Plaintiff, David Duke, a citizen of the United States of America, State of Louisiana is domiciled and residing within the Eastern District of Louisiana. The Plaintiff, David Duke for U.S. Senate Committee, is a campaign committee organized under the Federal Election Commission laws and rules and has its headquarters located within the Eastern District of Louisiana. The matter in controversy exceeds, exclusive of interest and costs, the sum of $50,000.00. This court has jurisdiction based on 28 U.S.C. §1332.

2. The Defendant, South Central Bell, Inc., a wholly owned subsidiary corporation of Bell South, Inc., is

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a corporation incorporated under the laws of the State of Georgia, with its principal business establishment in Birmingham, Alabama, and is duly qualified to do business in the State of Louisiana, maintaining an office in the City of New Orleans in the Eastern District of Louisiana.

3. This court has proper venue as to this action pursuant to 28 U.S.C. §1391.

THE PARTIES

4. The Plaintiff, David Duke, is a citizen of the United States of America, State of Louisiana, domiciled and residing within the Eastern District of Louisiana.

5. The Plaintiff, David Duke for U.S. Senate Committee (hereinafter "Duke Committee"), is a campaign committee organized and has its headquarters within the Eastern District of Louisiana and was designated as the Principal Campaign Committee for David Duke pursuant to Federal Election Law.

6. The Defendant, South Central Bell, Inc., a wholly owned subsidiary corporation of Bell South, Inc. (hereinafter "Bell"), is a Georgia corporation, domiciled in and having its principal place of business in the State of Alabama. Bell is qualified to do and is doing business in the State of Louisiana, maintaining an office therefor in the City of New Orleans.

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BACKGROUND FACTS

7. David Duke, a registered Republican, is a duly qualified candidate for the United States Senate having met all state and federal requirements for the primary election to be held October 6, 1990. A statement of candidacy was filed with the Federal Election Commission, FEC Form 2, (revised 4/87), dated December 19, 1989, having Identification Number C00240408.

8. In order to inform the Louisiana electorate of the issues and positions held by Mr. Duke and as a means of raising revenue, it was decided by the candidate and the committee to obtain a "900" telephone number and advertise that number to the public.

9. The "900" number operates as follows: a caller dials the 900 number (1-900- + the 7 digit assisgned number) and hears a previously recorded message. The caller is charged for the call which is added to his telephone bill.

10. On or about June, 1990, a representative of the Duke Committee phoned Roy Knight, President of Fourth Media, a firm specializing in telemarketing and media productions.

11. The purpose of the aforesaid telephone conversation was to discuss the proposed use of a "900-toll number" for campaign activities in conjunction with David Duke's campaign for a seat in the United States Senate.

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12. The "900" number service was desired for use in providing callers with recorded information for which they would be charged a fee. Duke Committee provided Fourth Media with a copy of the proposed script of the recorded information. The script was subsequently approved by Fourth Media. The script was as follows:

> This is Representative David Duke talking to you from the Louisiana State Capitol. You will be charged ten dollars ($10.00) on your phone bill for this call. If you don't want to incur these charges, hang up now.
>
> You are vitally important to this winning campaign for the U.S. Senate. I am opposed to affirmative action. I believe in equal rights for all Americans. I believe we should require welfare recipients to work for their welfare checks. And I say no new taxes. Urge your friends to support this campaign. We need your support. Give them this number: 1-900-226-1999. We need your help. We'll send you information at the sound of the beep. Speak clearly your name, address, zip code, and telephone number. Thank you again for your continuing support.

13. An agreement between Fourth Media and the Duke Committee was reached, whereby the Duke Committee would receive, approximately 30 days after a normal billing period, a net dollar amount after deducting expenses of approximately $1.93 from the cost of the call.

14. Immediately upon reaching the agreement with the Duke Committee, Fourth Media issued the Duke Committee a temporary "900" number, 1(900)990-1010 for its use until a

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"permanent" number could be assigned.

15. Beginning on or about June, 1990, the Duke Committee aired a 30 minute program on various television channels in seven cities: Shreveport, Monroe, Alexandria, Lake Charles, Lafayette, Baton Rouge and New Orleans throughout the State of Louisiana. During these programs, viewers were given the opportunity to call 1(900)226-1999 to hear a pre-recorded message from David Duke. Once the call was connected, the caller was again given the option to hear the recorded information and be charged a flat fee of Ten ($10.00) Dollars or the caller could, at that point, hang up and avoid being billed.

16. In addition to the television promotion, the "900" number was published in newspapers throughout the State of Louisiana in paid advertisements beginning on or about June, 1990.

17. Additionally, the "900" number was mentioned in flyers mailed to approximately 150,000 households.

18. In early August, 1990, a decision was made by David Duke to have another statewide showing of his 30 minute program with a new ending and promotion of a new "900" number (1-900-226-DUKE). T.V. Schedule attached hereto as Exhibit "A". It was anticipated that this showing would produce at least 25,000 calls (the previous callers

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had totalled approximately 9,000). The projected increase was based upon more viewers and more accessability to callers from independent telephone companies that were unable to use the "900" number previously.

19. On or about August 15, 1990, David Duke for U.S. Senate Committee was informed that the use of the "900" number had been discontinued by Bell due to company policy. Subsequently, Bell has announced that they will forward sums collected on Duke numbers from June 23 through July 23. The status of subsequent calls is not clear. To date, no money has been received by David Duke or David Duke for U.S. Senate Committee for any 900 calls.

20. On August 22, 1990, David Duke, his attorney, a representative of Duke Committee and two representatives of Bell, Mr. William Courtney and Mr. Mervin Villar, met and discussed Duke's request to have the "900" number reinstated for the duration of the campaign. Bell's position was that this was against company policy to provide 900 numbers for political campaign or charitable fund raisers. Mr. Courtney and Mr. Villar admitted that Bell was aware from the beginning that this number was being used in a political campaign.

21. As a result of Bell's termination of the 900 number services for the Duke Committee, David Duke and the

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Duke Committee has or will incur approximately $150,000.00 in expenses to implement alternate methods and change existing advertising programs.

22. As a result of Bell's termination of the "900" number services, David Duke and the Duke Committee estimates that it will be damaged by the loss of approximately Two Hundred Fifty Thousand and No/100 ($250,000.00) Dollars in future revenue.

COUNT I

23. Defendant, South Central Bell, Inc., is liable to Plaintiffs for damages caused by their termination of the "900" number services in violation of Civil Code Article 1994.

24. Defendant, South Central Bell, Inc., through its actions in privding the "900" number services led Plaintiff into believing that Bell would continue to provide the services throughout the campaign.

25. Plaintiffs relied upon South Central Bell's actions and representations to the detriment of plaintiffs in violation of Louisiana Civil Code Article 1967. As a result thereof, plaintiffs have suffered damages accordingly.

WHEREFORE, plaintiff prays that:

(a) Judgment be granted to Plaintiffs and against

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Defendant for an amount equal to Plaintiffs' damages and future damages times compound interest at the prime or judgment rate applicable at the time of such damages; and

(b) Plaintiffs be awarded reasonable attorney's fees and cost of suit; and

(c) Plaintiffs be granted such other relief as the court deems just, including consequential damages.

COUNT II

26. Upon information and belief, Defendant, South Central Bell, Inc., is in possession of funds collected for the Duke Committee 900 number service. Plaintiffs have made several amicable demands for the funds but Bell has failed to remit the funds to Plaintiffs. This amounts to an unlawful conversion of Plaintiff's funds by Defendant.

WHEREFORE, Plaintiffs pray that:

(a) Judgment be granted to Plaintiffs and against Defendant ordering defendant to turn over any and all funds in their possession, custody or control collected from customers for use of the Duke Committee 900 number; and

(b) Plaintiffs be awarded reasonable attorney's fees and cost of suit; and

(c) Plaintiffs be granted such other relief as the court deems just, including consequential damages.

COUNT III

27. Defendant, Bell, has violated the Sherman Anti-Trust Act [15 U.S.C. §1 through §7].

28. Bell has willfully and intentionally discriminated against Plaintiffs by refusing to provide service to Plaintiffs which a Bell affiliated company provides to customers similarly situated. Specifically a Bell affiliated company terminated a "900" number service for a political candidate in Texas but reinstated the service at the request of the candidate through the duration of the campaign.

29. Bell provides 900 number services to customers whose "information service" is comprised of "soft pornography" and "astrology predictions", however Bell will not provide the same services to Plaintiffs. Bell's refusal to deal with Plaintiffs by rejecting the same terms and conditions afforded to other parties is a violation of 15 U.S.C. §1.

30. It is against public policy for Bell to provide "900" services for dissemination of pornography while denying the "900" service for the dissemination of political information.

31. In reliance of Bell's having provided the "900" service to Plaintiffs, Plaintiffs have incurred expenses of advertising and promoting the 900 number statewide, showing

of the 30 minute program commences August 27, 1990 and will continue through the week. Upon recently being informed that the "900" services were being discontinued, Plaintiff was unable to cancel the showing and advertising in seven cities: Shreveport, Monroe, Alexandria, Lake Charles, Lafayette, Baton Rouge and New Orleans. Therefore, in order to recoup part of its losses, Plaintiff has had to purchase 25 telephone lines from Bell at a cost of approximately Six Thousand Seven Hundred Sixty and No/100 ($6,760.00) Dollars in addition to hiring telephone operators and advertisement of the new telephone number. Additionally, it is much less efficient to use 25 telephone lines as opposed to the use of the 900 number service. By denying Plaintiffs use of its 900 number service, Bell has forced Plaintiffs to use Bell services and equipment. Bell's action is in violation of 15 U.S.C. §2.

WHEREFORE, Plaintiffs pray that:

(a) Judgment be granted to Plaintiffs and against Defendant for an amount equal to threefold Plaintiffs' damages times compound interest at the prime or judgment rate applicable at the time of such damages; and

(b) Plaintiffs be awarded reasonable attorney's fees and cost of suit; and

(c) Plaintiffs be granted such other relief as the

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court deems just, including consequential damages.

DEMAND FOR JUDGMENT

WHEREFORE, Plaintiffs demand judgment against Defendant for damages and restitution in an amount equal to at least ONE MILLION TWO HUNDRED THOUSAND ($1,200,000.00) DOLLARS, such amount to be shown exactly by proof at trial, interest as allowed by law, reasonable attorney's fees, costs; and any further relief that the Court deems appropriate and just. Plaintiffs further demand trial by jury on all Counts.

Respectfully submitted,

WALLACE, McPHERSON & KENNEDY

PHILLIP K. WALLACE
201 Evans Road, Suite 401
New Orleans, Louisiana 70123
Telephone: (504) 734-5100
Bar Roll No. 13198

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U. S. SENATE COMMITTEE	*	CIVIL ACTION
VERSUS	*	NO.
SOUTH CENTRAL BELL	*	
	*	MAGISTRATE

* *

AFFIDAVIT OF VERIFICATION

STATE OF LOUISIANA

PARISH OF JEFFERSON

BEFORE ME, the undersigned authority, personally came and appeared:

PAUL ALLEN,

who, after being duly sworn did depose and state that he is the Assistant Treasurer of David Duke for U. S. Senate Committee, Plaintiff in the above referenced matter, and that all of the allegations contained in the Complaint are true and correct to the best of his knowledge, information and belief.

[signature]

PAUL ALLEN, Assistant Treasurer

SWORN TO AND SUBSCRIBED

BEFORE ME, This 23rd

day of August, 1990.

[signature]

NOTARY PUBLIC

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TV SCHEDULE FOR 30 MI. JTE PROGRAM, ALL MARKETS AUGUST, 1990

CITY:		STATION:		TIME:
ALEXANDRIA				
	THURSDAY AUGUST 30TH.			
	CHANNEL	31	KLAX	6:30PM-7:00PM
	SATURDAY SEPTEMBER 1			
	CHANNEL	5	KALB	5:00PM-5:30PM
	CHANNEL	31	KLAX	10:30PM-11:00PM
BATON ROUGE				
	WEDNESDAY AUGUST 29TH.			
	CHANNEL	2	WBRZ	6:30PM-7:00PM
	THURSDAY AUGUST 30TH.			
	CHANNEL	9	WAFB	10:35PM-11:05PM
LAFAYETTE				
	TUESDAY AUGUST 28TH.			
	CHANNEL	3	KATC	10:30PM-11:00PM
	WEDNESDAY AUGUST 29			
	CHANNEL	15	KADN	9:00PM-9:30PM
	SATURDAY SEPTEMBER 1			
	CHANNEL	3	KATC	6:30PM-7:00PM
LAKE CHARLES				
	TUESDAY, AUGUST 28TH.			
	CHANNEL	7	KPLC	6:30PM-7:00PM
	WEDNESDAY AUGUST 29TH.			
	CHANNEL	29	KVHP	10:30PM-11:00PM
	SUNDAY SEPTEMBER 2ND.			
	CHANNEL	7	KPLC	10:30PM-11:00PM
MONROE				
	MONDAY. AUGUST 27TH.			
	CHANNEL	10	KTVE	10:30PM-11:00PM
	TUESDAY, AUGUST 28TH.			
	CHANNEL	14	KARD	6:30PM-7:00PM
	WEDNESDAY AUGUST 29TH.			
	CHANNEL	8	KNOE	10:30PM-11:00PM
NEW ORLEANS				
	WEDNESDAY AUGUST 29TH.			
	CHANNEL	6	WDSU	6:30PM-7:00PM
	CHANNEL	26	WGNO	11:00PM-11:30PM
	THURSDAY AUGUST 30TH.			
	CHANNEL	6	WDSU	6:30PM-7:00PM
	CHANNEL	6	WDSU	12:30AM-1:00AM (FRIDAY MORNING)
SHREVEPORT				
	MONDAY. AUGUST 27TH.			
	CHANNEL	6	KTAL	7:00PM-7:30PM
	TUESDAY AUGUST 28TH.			
	CHANNEL	33	KMSS	9:00PM-9:30PM
	CHANNEL	3	KTBS	12:00M-12:30AM

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EXHIBIT "A"

Duke sues to get '900' calls back

By TYLER BRIDGES
Staff writer

State Rep David Duke, a Senate candidate, filed suit in federal court Monday asking that South Central Bell be required to resume billing customers who call "900" numbers to donate money to his campaign

Duke is seeking an order forcing the company to bill callers while the suit is heard in court. Duke staffer Jim McPherson said McPherson said Judge Frederick Heebe indicated he would rule today on the temporary order.

McPherson said Duke would drop the lawsuit, which seeks $250,000 in damages, if South Central Bell agreed to bill customers again for the $10 or $25 per call on the two 900 numbers until the election.

Donors to the Duke campaign call one of two numbers, depending on whether they wish to contribute $10 or $25. The calls appear on the customer's monthly bill, the telephone company collects the fee and forwards it to the Duke campaign

The company announced last week that it would stop billing customers for the calls because corporate policy doesn't allow 900 numbers to be used for political fund-raising "We believe the policy is the correct one and regret Mr Duke has seen fit to take this action," said Edgar Porse, a South Central Bell official Porse said the company would forward the money it has collected to the long-distance company MCI, which owns the phone lines used for the 900 numbers

Duke said he believes he has raised about $88,000 through the technique

South Central Bell's decision to end billing does not prohibi Duke from using the 900 num bers but requires him to find an other way to collect the mone than simply having each call au tomatically show up on the cus tomer's monthly phone bill

Duke is seeking an immediate response in court because hi campaign will air a 30-minute tel evision ad in New Orleans Wednesday and Thursday night ending with a phone number peo ple can call to donate money I the judge doesn't issue the tem porary injunction, Duke's cam paign will list a local number to call to pledge a contribution, McPherson said

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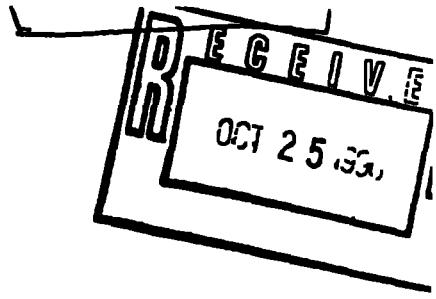
THE FOURTH MEDIA



September 17. 1990

TO: Debbie Rutledge
MCI

FROM: Anne Tierney
The Fourth Media. Inc.

RE: As requested. here are the scripts for the David Duke numbers and also the application change for 990-1010. Please call me if you have a further questions. Thank you.

APPLICATION CHANGE

APPLICATION NAME: David Duke
PHONE NUMBER: 1-900-990-1010
PRICE PER CALL: $10.00/flat rate per call
LITERAL: Duke
APPLICATION OWNER: The Fourth Media. Inc.
SCRIPT: Will follow by fax
ADVERTISING: Will follow by fax
POLLING: No
BUSY HOUR: 9:00pm
% OF DAILY TRAFFIC DURING BUSY HOUR: 30%
AVERAGE CALL DURATION: 5.0 MINUTES
CORP ID: 99977408

E-1

The Fourth Media. 55 Marietta Street. Suite 1875. Atlanta Ga [illegible] (404) 577-6987 (FAX) [illegible]

THE FOURTH MEDIA

910-1010
226-1999
Message Dated July 31

This is Representative David Duke speaking to you from the Louisiana Legislature. You will be charged ten dollars ($10.00) on your phone bill for this call. If you don't want to incur these charges, hang up now. I am winning this race for the U.S. Senate because I am opposed to the racial discrimination of affirmative action. I believe in equal rights for all Americans. I believe that a welfare recipient should work for his welfare check. And I say NO new taxes. I need your help in this Senate race. If you would like to contribute twenty-five dollars ($25.00) to this campaign, call 1-900-226-1999. That's 1-900-226-1999. Please urge your family and friends to call this number and support me. We will send you more information at the sound of the tone. Please clearly leave your name, address, zip code, and phone number. Help me stand up for you in Washington.

TAG

This is Representative David Duke speaking to you from the Louisiana Legislature. You will be charged twenty-five dollars ($25.00) on your phone bill for this call. If you do not want to incur these charges, hang up now. I am winning this race for the U.S. Senate because of your help. I appreciate your contribution very much. If you would like to contribute twenty-five dollars ($25.00) more, just call again at 1-900-226-1999. And please urge your family and friends to call and support us as well. I have no PAC money; no special interest money, no mass media support. All I'm depending on is you. I need your help. At the sound of the tone please leave your name, address, zip code, and phone number. Speak clearly and I'll be glad to send you free information. Help me stand up for you in Washington. Thank you so much for calling.

Thank you for calling 1-900-226-DUKE. You will be charged $25.00 for this call. Your continued support of David Duke is vital to the success of this campaign. Please spread the word and thank you again for calling.

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EXHIBIT "F"

F-1

DAVID DUKE AND DAVID DUKE FOR
U.S. SENATE COMMITTEE
versus
SOUTH CENTRAL BELL, INC.

NO. 90-3088 SEC "B" MAG.2

PLEADINGS

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Case Name_____ No._____ S/L_____

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PO Box 1133 Laguna Beach CA 92652

MATTF1-021

UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE	*	CIVIL ACTION
VERSUS	*	NO. 90-3088
SOUTH CENTRAL BELL TELEPHONE CO., IRIS ENTERPRISES, INC., D/B/A THE FOURTH MEDIA, and MCI TELECOMMUNICATIONS, INC.	*	SECTION "B" MAGISTRATE 2

* *

FIRST AMENDED COMPLAINT

Now comes plaintiffs, David Duke, a person of the full age of majority and the David Duke for U.S. Senate Committee to amend the Complaint filed herein; with said amendment superceding and replacing the original Complaint in its entirety, plaintiffs respectfully represent as follows:

STATEMENT OF JURISDICTION AND VENUE

1. The plaintiff, David Duke, a citizen of the United States of America, State of Louisiana is domiciled and residing within the Eastern District of Louisiana; the plaintiff, David Duke for U.S. Senate Committee, is a campaign committee organized under the Federal Election Commission laws and rules and has its headquarters located within the Eastern District of Louisiana, (hereinafter

collectively referred to as "Plaintiffs"). The matter in controversy exceeds, exclusive of interest and costs, the sum of $50,000.00. This Court has jurisdiction based on 28 U.S.C. §1332. Count III of this complaint arises under §4 of the Clayton Act (15 U.S.C. §15) to recover treble the amount of damages incurred by Plaintiffs as a result of violations by the defendants of Sections 1 and 2 of the Sherman Act (15 U.S.C. §1 and §2) and under Section 16 of the Clayton Act (15 U.S.C. §26) to secure equitable relief against a continuation of those violations. The Court has jurisdiction over the subject matter of this action under 28 U.S.C. §1327.

2. The Defendant, South Central Bell Telephone Co., a wholly owned subsidiary corporation of Bell South Corporation, is a corporation incorporated under the laws of the State of Georgia, with its principal business establishment in Birmingham, Alabama, and is duly qualified to do business in the State of Louisiana, maintaining an office in the City of New Orleans in the Eastern District of Louisiana.

3. The Defendant, Iris Enterprises, Inc., d/b/a The Fourth Media, is a corporation incorporated under the laws of the State of Georgia. Iris Enterprises, Inc. d/b/a The Fourth Media is deriving income from business activities

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conducted within the Eastern District of the State of Louisiana.

4. The Defendant, MCI Telecommunications, Inc., is a corporation incorporated under the laws of the State of Delaware, with its principal place of business in Washington, D.C., and is duly qualified to do and is doing business in the State of Louisiana, maintaining an office in the City of New Orleans in the Eastern District of Louisiana.

5. This Court has proper venue as to this action pursuant to 28 U.S.C. §1391.

THE PARTIES

6. The Plaintiff, David Duke, is a citizen of the United States of America, State of Louisiana, domiciled and residing within the Eastern District of Louisiana, (hereinafter "Duke").

8. The Plaintiff, David Duke for U.S. Senate Committee (hereinafter "Duke Committee"), is a campaign committee organized and has its headquarters within the Eastern District of Louisiana and was designated as the Principal Campaign Committee for Duke pursuant to Federal Election Law.

9. The Defendant, South Central Bell Telephone Co., (hereinafter "Bell"), a wholly owned subsidiary corporation

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of Bell South Corporation, is a Georgia corporation, domiciled in and having its principal place of business in the State of Alabama. Bell is qualified to do and is doing business in the State of Louisiana, maintaining an office therefore in the City of New Orleans.

10. The Defendant, Iris Enterprises, Inc. d/b/a the Fourth Media, (hereinafter "Fourth Media"), is a Georgia corporation, with its principal place of business in the State of Georgia.

11. The Defendant, MCI Telecommunications, Inc. (hereinafter "MCI"), is a Delaware corporation, domiciled and having its principal place of business in Washington, D.C. MCI is qualified to do and is doing business in the State of Louisiana, maintaining an office therefore in the City of New Orleans.

BACKGROUND FACTS

12. Duke, a registered Republican, was a duly qualified candidate for the United States Senate for the State of Louisiana having met all state and federal requirements for the primary election held October 6, 1990. A statement of candidacy was filed with the Federal Election Commission, FEC Form 2 (revised 4/87), dated December 19, 1989, having Identification Number C00240408.

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13. In order to inform the Louisiana electorate of the issues and positions held by the candidate, and as a means of raising revenue, it was decided by Duke and the Duke Committee to utilize a "900" telephone number and advertise that number to the public.

14. The "900" number operates as follows: a caller dials the 900 number (1-900- + the 7 digit assigned number) and hears a previously recorded message. The caller is charged for the call which is added to his telephone bill.

15. On or about June, 1990, a representative of the Duke Committee phoned Roy Knight, President of Fourth Media, a firm specializing in telemarketing and media productions.

16. The purpose of the aforesaid telephone conversation was to discuss the proposed use of a "900-toll number" statewide for campaign activities in conjunction with Duke's campaign for a seat in the United States Senate.

17. During this and subsequent telephone conversations, Roy Knight, acting for and on behalf of Fourth Media, warranted to the Duke Committee representative that use of such toll numbers for campaign activities was a legal, proper and accepted manner for distribution of campaign information and raising revenue.

18. During this and subsequent telephone conversations, Mr. Knight, acting for and on behalf of Fourth Media, warranted to the Duke Committee representative

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that Fourth Media could coordinate all 900 number activities and make all necessary arrangements for implementation of the 900 number for use by the Duke Committee.

19. The 900 number service was desired for use in providing callers with recorded information for which they would be charged a fee. The Duke Committee provided Fourth Media with a copy of the proposed script of the recorded information. The script was subsequently approved by Fourth Media. The script read as follows:

> This is Representative David Duke talking to you from the Louisiana State Capitol. You will be charged ten dollars ($10.00) on your phone bill for this call. If you don't want to incur these charges, hang up now.
>
> You are vitally important to this winning campaign for the U.S. Senate. I am opposed to affirmative action. I believe in equal rights for all Americans. I believe we should require welfare recipients to work for their welfare checks. And I say no new taxes. Urge your friends to support this campaign. We need your support. Give them this number: 1-900-226-1999. We need your help. We'll send you information at the sound of the beep. Speak clearly your name, address, zip code, and telephone number. Thank you again for your continuing support.

20. An agreement between Fourth Media and the Duke Committee was reached, whereby the Duke Committee would receive, approximately 30 days after a normal billing period, a net dollar amount after deducting expenses of approximately $1.93 from the cost of the call.

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21. Immediately upon reaching the agreement with the Duke Committee, Fourth Media issued the Duke Committee a temporary 900 number, 1(900)990-1010 for its use until a permanent number could be assigned. Upon information and belief, the 900 number was acquired for the Duke Committee by Fourth Media from MCI.

22. Beginning on or about June, 1990, the Duke Committee aired a 30 minute program on various television channels in seven cities throughout the State of Louisiana: Shreveport, Monroe, Alexandria, Lake Charles, Lafayette, Baton Rouge and New Orleans. During these programs, viewers were given the opportunity to call 1(900)226-1999 to hear a pre-recorded message from David Duke. Once the call was connected, the caller was again given the option to hear the recorded information and be charged a flat fee of Ten ($10.00) Dollars or the caller could, at that point, hang up and avoid being billed.

23. After the first television programs, Duke was informed by several residents across the State of Louisiana that they were unable to use the 900 number. The Duke Committe later learned that the 900 number was inaccesable through independent (non Bell) telephone companies. Fourth Media negligently failed to arrange for 900 services with the independent telephone companies throughout Louisiana

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which provide service for approximately fifteen (15%) percent of Louisiana households. After the first showing, Fourth Media warranted to the Duke Committee that it would make arrangements so that the Duke 900 number and would be available through these independent local telephone companies.

24. On the night of the first television program, an employee of Fourth Media intentionally switched the pre-recorded message from that of David Duke to a "soft pornography" message. This action effectively denied the Duke Committee Ten ($10.00) Dollars per call, to which it was rightfully entitled. The number of calls that were sabotaged is yet to be determined.

25. In addition to the television promotion, the 900 number was published in newspapers throughout the State of Louisiana in paid advertisements beginning on or about June, 1990.

26. Additionally, the 900 number was published in direct mail correspondence transmitted to approximately 150,000 households.

27. In early August, 1990, a decision was made by Duke to present another statewide showing of his 30 minute program with a new ending and promotion of a new 900 number (1-900-226-DUKE). The T.V. Schedule is attached hereto as

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Exhibit "A". It was anticipated that this showing would produce at least 25,000 calls (the previous callers had totalled approximately 9,000). The projected increase was based upon more viewers and more accessability to callers from independent telephone companies that were previously unable to use the 900 number.

28. On or about August 15, 1990, the Duke Committee was informed by Fourth Media that the use of the 900 number had been discontinued by Bell due to company policy. Until this time, Fourth Media had not informed Plaintiffs that the 900 number service was contrary to Bell's company policy. Subsequently, Bell announced that they will forward to MCI sums collected on the Duke 900 numbers from June 23, 1990 through July 23, 1990. The status of subsequent calls is not clear. To date, no money has been received by Duke or the Duke Committee for any 900 calls. On or about October 17, 1990, MCI confirmed receiving some funds from Bell, but Plaintiffs are unable to deterine whether Bell or MCI or both have the remaining balance of money, how much they may have or when Plaintiffs will receive it.

29. On August 22, 1990, Duke, his attorney, a representative of Duke Committee and two representatives of Bell, Mr. William Courtney and Mr. Mervin Villar, met and discussed Duke's request to have the 900 number reinstated

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for the duration of the campaign. Bell's position was that it is against company policy to provide 900 numbers for a political campaign or charitable fund raiser. Mr. Courtney and Mr. Villar admitted that Bell was aware from on or about July 12, 1990 that this number was being used in a political campaign.

30. As a result of Bell's termination of the 900 number services for the Duke Committee, Duke and the Duke Committee incurred approximately $150,000.00 in expenses to implement alternate methods and change existing advertising programs.

31. As a result of Bell's termination of the 900 number services, Duke and the Duke Committee has been damaged by the loss of approximately Two Hundred Fifty Thousand and No/100 ($250,000.00) Dollars in revenues.

COUNT I

32. Plaintiffs reallege paragraphs 1 through 37 of this Complaint.

33. Defendant, Bell, is liable to Plaintiffs for damages caused by their termination of the 900 number services in violation of Civil Code Article 1994.

34. Defendant, Bell, through its actions in providing the 900 number services led Plaintiff to believe that Bell would continue to provide the 900 services throughout the campaign.

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35. Plaintiffs relied upon Bell's actions and representations to the detriment of Plaintiffs in violation of Louisiana Civil Code Article 1967. As a result thereof, plaintiffs have suffered damages accordingly.

WHEREFORE, Plaintiffs pray that:

(a) Judgment be granted to Plaintiffs and against Defendant for an amount equal to Plaintiffs' damages and future damages times compound interest at the prime or judgment rate applicable at the time of such damages; and

(b) Plaintiffs be awarded reasonable attorney's fees and cost of suit; and

(c) Plaintiffs be granted such other relief as the Court deems just, including consequential damages.

COUNT II

36. Plaintiffs reallege paragraphs 1 through 35 of this Complaint.

37. Upon information and belief, Defendant Bell, is in possession of funds collected for the Duke Committee 900 number service. Plaintiffs have made several amicable demands upon Bell for the remittance of any and all 900 number funds, but it is believed that Bell has failed to remit all such collected funds to MCI or to Plaintiffs.

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WHEREFORE, Plaintiffs pray that:

(a) Judgment be granted to Plaintiffs and against Defendant Bell ordering Defendant Bell to turn over any and all funds in their possession, custody or control collected from customers for use of the Duke Committee 900 number; and

(b) Plaintiffs be awarded reasonable attorney's fees and cost of this suit; and

(c) Plaintiffs be granted such other relief as the court deems just, including consequential damages.

COUNT III

38. Plaintiffs reallege paragraphs 1 through 37 of this Complaint.

39. Defendant Bell has violated the Sherman Anti-Trust Act [15 U.S.C. §1 through §7].

40. Bell has willfully and intentionally discriminated against Plaintiffs by refusing to provide service to Plaintiffs which a Bell affiliated company provides to customers similarly situated. Specifically, a Bell affiliated company terminated a 900 number service for a political candidate in Texas, but reinstated the service at the request of the candidate throughout the duration of the campaign.

41. Bell provides 900 number services to customers whose "information service" is comprised of "soft pornography" and "astrology predictions", however Bell will

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not provide the same services to Plaintiffs. Bell's refusal to deal with Plaintiffs by rejecting the same terms and conditions afforded to other parties is a violation of 15 U.S.C. §1.

42. It is against public policy for Bell to provide 900 services for dissemination of pornography while denying Plaintiffs the 900 service for the dissemination of political information.

43. After the successful use of the 900 number for the first television showing on July 12, 1990, Plaintiffs decided to present an additional television showing on August 27, 1990. After making arrangements for the August 27, 1990 televisions production, Plaintiffs were informed by Fourth Media that Bell was discontinuing the 900 number. As a result of this calculating action by Bell, Plaintiffs were forced to make other arrangements for billing and collection campaign contributions, said actions being damaging and costly to Plaintiffs. In order to minimize its losses, the Duke Committee had to purchase twenty-five (25) telephone lines which were available only from Bell at a cost of approximately Six Thousand Seven Hundred Sixty and No/100 ($6,760.00) Dollars in addition to extra costs of telephone operators and advertisement for the new telephone numbers. Additionally, the twenty-five (25) telephone lines were much

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less efficient than the 900 number service. By failing to continue to provide the same 900 number service, Bell forced Plaintiffs to use other Bell services and equipment. Because no other comparable conventional telephone lines were available from an alternate telephone company, Bell derived a profit as a direct result of its action in restraining the use of Duke's 900 number. Bell's action was in violation of 15 U.S.C. §2.

44. The 900 number service was effectively discontinued by the action of Bell. Subsequently, Plaintiffs were informed by Bell's attorneys that only the billing and collection for the 900 number service was discontinued. Subsequent to said discussion with counsel for Bell, the 900 number service was reinstated, but Bell steadfastly refused to bill or collect or remit funds for said 900 service.

WHEREFORE, Plaintiffs pray that:

(a) Judgment be granted to Plaintiffs and against Defendant for an amount equal to threefold Plaintiffs' damages times compound interest at the prime or judgment rate applicable at the time of such damages; and

(b) Plaintiffs be awarded reasonable attorney's fees and cost of suit; and

(c) Plaintiffs be granted such other relief as the Court deems just, including consequential damages.

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COUNT IV

45. Plaintiffs reallege paragraphs 1 through 44 of this complaint.

46. Defendant, Fourth Media, is liable to Plaintiffs for damages caused by their failure to perform and breach of contractual obligation in violation of Louisiana Civil Code Article 1994.

WHEREFORE, Plaintiffs pray that:

(a) Judgment be granted to Plaintiffs and against Defendant Fourth Media for an amount equal to threefold Plaintiffs' damages times compound interest at the prime or judgment rate applicable at the time of such damages; and

(b) Plaintiffs be awarded reasonable attorney's fees and cost of suit; and

(c) Plaintiffs be granted such other relief as the Court deems just, including consequential damages.

COUNT V

47. Plaintiffs reallege paragraphs 1 through 46 of this Complaint.

48. If it is in fact contrary to Bell's company policy to bill and collect for political campaigns, then Fourth Media should have had knowledge of such policy affecting the 900 number services offered to Plaintiffs, and had a duty to warn Plaintiffs of such.

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49. The negligent representations and omission of facts by Fourth Media were material to the Duke Committee's decision to use the 900 number service and to choose Fourth Media as the provider of the 900 number service.

50. Plaintiffs relied on Fourth Media's negligent representations and omission of facts in making its decision to choose Fourth Media as a 900 number service provider.

WHEREFORE, Plaintiffs pray that:

(a) Judgment be granted to Plaintiffs and against Defendant for an amount equal to threefold Plaintiffs' damages times compound interest at the prime or judgment rate applicable at the time of such damages; and

(b) Plaintiffs be awarded reasonable attorney's fees and cost of suit; and

(c) Plaintiffs be granted such other relief as the Court deems just, including consequential damages.

COUNT VI

51. Plaintiffs reallege paragraphs 1 through 50 of this Complaint.

52. Plaintiffs were induced by Fourth Media to rely upon Fourth Media's negligent representations and accordingly contracted with them for 900 service to the detriment of Plaintiffs in violation of Louisiana Civil Code

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Article 1967. As a result thereof, Plaintiffs have suffered damages accordingly.

WHEREFORE, Plaintiffs pray that:

(a) Judgment be granted to Plaintiffs and against Defendants for an amount equal to Plaintiffs' damages and future damages times compound interest at the prime or judgment rate applicable at the time of such damages; and

(b) Plaintiffs be awarded reasonable attorney's fees and cost of suit; and

(c) Plaintiffs be granted such other relief as the Court deems just, including consequential damages.

COUNT VII

53. Plaintiffs reallege Paragraphs 1 through 52 of this complaint.

54. Defendant, MCI, is liable to Plaintiffs for damages caused by their failure to perform.

55. Defendant, MCI, through its actions in failing to alert Fourth Media or Plaintiffs that there were critical requirements and deficiencies in the 900 number service, led Plaintiff to believe that MCI would provide the 900 number service as requested and desired by Plaintiffs throughout the U.S. Senate Campaign.

56. Defendant, MCI, provided a 900 number to Plaintiffs who relied upon the actions of MCI and as a

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result incurred expenses to promote and advertise this number. MCI subsequently terminated the 900 number service of the Duke Committee and as a result plaintiffs have suffered damages.

57. As it is the alleged policy of Bell not to bill and collect 900 number campaign contributions and because of its direct contractual relationship with Bell, MCI is liable to Plaintiffs because of its gross negligence in implementing the 900 service in direct violation of Bell policy of which MCI has admitted that it has direct knowledge.

WHEREFORE, Plaintiffs pray that:

(a) Judgment be granted to Plaintiffs and against Defendant MCI for an amount equal to threefold Plaintiffs' damages times compound interest at the prime or judgment rate applicable at the time of such damages; and

(b) Plaintiffs be awarded reasonable attorney's fees and cost of suit; and

(c) Plaintiffs be granted such other relief as the Court deems just, including consequential damages.

COUNT VIII

58. Plaintiffs reallege paragraphs 1 through 57 of this Complaint.

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59. Plaintiffs relied on Defendant MCI's actions, negligent misrepresentations and omission of facts to the detriment of plaintiffs in violation of Louisiana Civil Code Artcile 1967. As a result thereof, plaintiffs have suffered damages.

WHEREFORE, Plaintiffs pray that:

(a) Judgment be granted to Plaintiffs and against Defendant MCI for an amount equal to threefold Plaintiffs' damages times compound interest at the prime or judgment rate applicable at the time of such damages; and

(b) Plaintiffs be awarded reasonable attorney's fees and cost of suit; and

(c) Plaintiffs be granted such other relief as the Court deems just, including consequential damages.

COUNT IX

60. Plaintiffs reallege Paragraphs 1 through 59 of this Complaint.

61. Bell has informed plaintiffs that Defendant, MCI, is in possession of fees collected and transmitted from Bell to MCI. Plaintiffs have made amicable demand; however, MCI has failed to remit to Plaintiffs the proceeds admittedly in its possession. This action is an unlawful conversion of Plaintiff's funds by Defendant.

WHEREFORE, Plaintiffs pray that:

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(a) Judgment be granted to Plaintiffs and against Defendants for an amount equal to Plaintiffs' damages times compound interest at the prime or judgment rate applicable at the time of such damages; and

(b) Plaintiffs be awarded reasonable attorney's fees and cost of suit; and

(c) Plaintiffs be granted such other relief as the Court deems just, including consequential damages.

DEMAND FOR JUDGMENT

WHEREFORE, Plaintiffs demand judgment against Defendants for damages and restitution in an amount equal to at least ONE MILLION FIVE HUNDRED THOUSAND ($1,500,000.00) DOLLARS, such amount to be shown exactly by proof at trial, interest as allowed by law, reasonable attorney's fees, costs; and any further relief that the Court deems appropriate and just. Plaintiffs further demand trial by jury on all Counts.

Respectfully submitted,

WALLACE, McPHERSON & KENNEDY

PHILLIP K. WALLACE
201 Evans Road, Suite 401
New Orleans, Louisiana 70123
Telephone: (504) 734-5100
Bar Roll No. 13198

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE	*	CIVIL ACTION
VERSUS	*	NO. 90-3088
SOUTH CENTRAL BELL TELEPHONE CO., IRIS ENTERPRISES, INC., D/B/A THE FOURTH MEDIA, and MCI TELECOMMUNICATIONS, INC.	*	SECTION "B" MAGISTRATE 2

* *

AFFIDAVIT OF VERIFICATION

STATE OF LOUISIANA

PARISH OF JEFFERSON

BEFORE ME, the undersigned authority, personally came and appeared:

PAUL ALLEN,

who, after being duly sworn did depose and state that he is the Assistant Treasurer of David Duke for U. S. Senate Committee,. Plaintiff in the above referenced matter, and that all of the allegations contained in the First Amended Complaint are true and correct to the best of his knowledge, information and belief.

PAUL ALLEN, Assistant Treasurer

SWORN TO AND SUBSCRIBED

BEFORE ME, This 28

day of [illegible] 1990.

NOTARY PUBLIC

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE	*	CIVIL ACTION
VERSUS	*	NO. 90-3088
SOUTH CENTRAL BELL, INC., IRIS ENTERPRISES, INC., D/B/A THE FOURTH MEDIA, and MCI TELECOMMUNICATIONS, INC.	*	SECTION "B" MAGISTRATE 2

MOTION BY PLAINTIFF TO JOIN ADDITIONAL PARTY DEFENDANTS AND TO FILE SUPPLEMENTAL COMPLAINT

Plaintiffs, by their attorney, move this Court:

(1) For the entry of an order pursuant to Rules 19, 20 and 21 of the Federal Rules of Civil Procedure to add as parties defendant in this cause Iris Enterprises d/b/a The Fourth Media and MCI Telecommunications, Inc.; and directing service of process upon them; and

(2) For the entry of an order pursuant to Rule 15(d) of the Federal Rules of Civil Procedure permitting plaintiffs to file immediately and to serve upon defendants a supplemental complaint setting forth certain events that have occurred since the filing of the original complaints.

In support of this motion, plaintiffs state as follows:

1. Rule 21 of the Federal Rules of Civil Procedure

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provides in relevant part that parties may be added by order of the court on motion of any party at any stage of the action and on such terms as are just.

2. Rule 19(a) of the Federal Rules of Civil Procedure provides in relevant part that a person who is subject to service of process and whose joinder will not deprive the court of jurisdiction over the subject matter of the action shall be joined as a party to the action if in the person's absence complete relief cannot be accorded among those already parties, or if, under certain circumstances, the person claims an interest relating to the subject of the action.

Specifically:

a) This is an action based upon an alleged failure to perform and breach of contractual obligations.

b) The proposed additional defendants, Fourth Media and MCI, are indispensable parties to this action.

c) Each of the proposed additional defendants is subject to the jurisdiction of this Court, and each can be made a party defendant without depriving this Court of jurisdiction.

d) At the time of filing the original complaint in this cause, plaintiff was not fully informed with respect to the activities of these additional defendants and has become informed of this following investigation.

e) Defendant, South Central bell, does not oppose this motion.

3. Rule 20(a) of the Federal Rules of Civil Procedure provides in relevant part that persons may be joined in one action as defendants if there is asserted against them a right to relief in respect of a series of occurrences and if any question of law or fact common to all defendants will arise.

4. Rule 15(d) of the Federal Rules of Civil Procedure provides in relevant part that upon motion of a party the court may permit the party to serve a supplemental pleading setting forth events that have happened since the date of the pleading sought to be supplemented.

5. The parties sought to be added as defendants by this motion are subject to service of process and their joinder will not deprive the court of jurisdiction over the subject matter of this action.

6. Attached and made a part of this motion is a copy of the supplemental complaint proposed to be filed if this motion is granted. The supplemental complaint sets forth events that have happened since the date of the original complaints in this cause. It is probable that the parties sought to be added as defendants will oppose the

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relief sought in the supplemental complaint and that they will claims an interest relating to the subject of the action under Rule 19(a)(2). The supplemental complaint asserts against the defendants a right to relief arising out of the same series of occurrences and presents questions of law and fact common to all defendants. Accordingly, it is probable that the relief sought in the supplemental complaint cannot be achieved, or can be achieved only partially or conditionally, without the parties to be joined.

Wherefore, plaintiffs ask that their motions be granted and that an order be entered in substantially the form attached to this motion.

Respectfully submitted,

WALLACE, McPHERSON & KENNEDY

PHILLIP K. WALLACE
201 Evans Road, Suite 401
New Orleans, Louisiana 70123
Telephone: (504) 734-5100
Bar Roll No. 13198

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE	*	CIVIL ACTION
VERSUS	*	NO. 90-3088
SOUTH CENTRAL BELL, INC., IRIS ENTERPRISES, INC., D/B/A THE FOURTH MEDIA, and MCI TELECOMMUNICATIONS, INC.	*	SECTION "B" MAGISTRATE 2

* *

MEMORANDUM IN SUPPORT OF MOTION BY PLAINTIFF TO AMEND COMPLAINT BY ADDING DEFENDANTS

MAY IT PLEASE THE COURT:

Plaintiffs file this Motion to Add Defendants pursuant to Federal Rules of Civil Procedure Rule 19.

BACKGROUND

On August 27, 1990, Plaintiffs filed a Complaint against South Central Bell, Inc. Along with the Complaint, Plaintiffs filed a Motion for Temporary Restraining Order and a Motion for Preliminary Injunction. On August 29, 1990, a hearing was held before this Court on Plaintiffs' Motion for Temporary Restraining Order. At this hearing, the Honorable Frederick J. R. Heebe denied said Motion for Temporary Restraining Order based on the fact that indispensable parties were absent from this action. Plaintiffs seek to add defendants, Iris Enterprises, Inc.

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d/b/a The Fourth Media (hereinafter "Fourth Media") and MCI Telecommunications, Inc. (hereinafter "MCI") to this action.

ARGUMENT

Rule of Civil Procedure Rule 19 provides a person who is subject to service of process and whose joinder will not deprive the court of jurisdiction over the subject matter of the action shall be joined as a party in the action if (1) in the persons absence, complete relief cannot be afforded among those already parties, or (2) the person claims an interest relating to the subject of the action and is so situated that the disposition of the action in the persons absence may (i) as a practical matter impair or impede the persons ability to protect that interest or (ii) leave any of the persons already parties subject to a substantial risk of incurring double, multiple, or otherwise inconsistent obligations by reason of the claimed interest. If the person has not been so joined, the court shall order that person be made a party. If the person should join as a plaintiff but refuses to do so, the person may be made a defendant, or, in a proper case, an involuntary plaintiff. If the joined party objects to venue and joinder of that party would render the venue of the action improper, that party shall be dismissed from the action.

The defendant, Fourth Media, is a corporation incorporated under the laws of the State of Georgia. Fourth Media is deriving income from business activities conducted within the Eastern District of the State of Louisiana.

The defendant, MCI, is a corporation incorporated under the laws of the State of Delaware, with its principal place of business in Washington D.C., and is duly qualified to do and is doing business in the State of Louisiana, maintaining an office in the City of New Orleans in the Eastern District of Louisiana.

Initially, plaintiffs entered into a direct contractual relationship with Fourth Media by contracting for Fourth Media to provide "900" telephone service to plaintiffs. In turn, Fourth Media contracted with MCI to provide the actual "900" number for plaintiffs' use. Thereafter, MCI contracted directly with Bell for the billing and collections of calls made to plaintiffs "900" number service.

As such, complete adjudication of this matter absent MCI and Fourth Media may prejudice defendant Bell, or in the alternative, completely prevent adjudication in their absence. Accordingly, joinder of these parties is necessary

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so that this matter may proceed to adjudication upon the merits, thus enabling plaintiff to receive complete relief.

Respectfully submitted,

WALLACE, McPHERSON & KENNEDY

PHILLIP R. WALLACE
201 Evans Road, Suite 401
New Orleans, Louisiana 70123
Telephone: (504) 734-5100
Bar Roll No. 13198

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the above and foregoing Motion by Plaintiff to Join Additional Party Defendants and to File Supplemental Complaint has been served upon defendants, South Central Bell, Inc., through its registered agent for service of process, Jim O. Llewellyn, 365 Canal Street, Room 1870, New Orleans, Louisiana 70140; Iris Enterprises, Inc. d/b/a The Fourth Media, through its registered agent for service of process, C.T. Corporation Systems, 2 Peachtree Street, N.W., Atlanta, Georgia 30383; and MCI Telecommunications, Inc. through its registered agent for service of process, U.S. Corporation Co., 1101 American Bank Building, New Orleans, Louisiana 70130, by placing a copy of same in the United States mail, postage prepaid, this 28 day of December, 1990.

PHILLIP K. WALLACE

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE	*	CIVIL ACTION
VERSUS	*	NO. 90-3088
SOUTH CENTRAL BELL, INC., IRIS ENTERPRISES, INC., D/B/A THE FOURTH MEDIA, and MCI TELECOMMUNICATIONS, INC.	*	SECTION "B" MAGISTRATE 2

* *

ORDER

Upon submission of a certificate of no opposition by defendant South Central Bell on the motion of plaintiffs to add defendants and to file a supplemental complaint,

IT IS HEREBY ORDERED:

1. Iris Enterprises, Inc. d/b/a The Fourth Media and MCI Telecommunications, Inc., be and they hereby are made parties defendants in this consolidated cause;

2. Leave is hereby granted to plaintiffs to file immediately the supplemental complaint referred to in the motion of plaintiffs;

3. Defendant, South Central Bell, Inc. shall answer or otherwise plead to the supplemental complaint on or

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before January 23, 1991, and the newly added defendants shall answer or otherwise plead to the supplemental complaint within the time provided in Rule 12(a) of the Federal Rules of Civil Procedure; and

4. Plaintiffs shall cause copies of the supplemental complaint and this order to be served as promptly as possible upon the newly added defendants in the manner provided in Rule 4 of the Federal Rules of Civil Procedure.

New Orleans, Louisiana this 3rd day of January, 1990.

Frederick J. R. Heebe
UNITED STATES DISTRICT JUDGE

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CERTIFICATE OF CONSENT OF OPPOSING COUNSEL

This is to certify that after consultation with defendant, South Central Bell Telephone Company, counsel for said defendant has expressed no opposition to the amendment of Plaintiff's Initial Complaint and the addition of Iris Enterprises, Inc. d/b/a The Fourth Media and MCI Telecommunications, Inc. as defendants in this action.

PHILLIP K. WALLACE

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the above and foregoing Motion by Plaintiff to Join Additional Party Defendants and to File Supplemental Complaint has been served upon defendants, South Central Bell, Inc., through its registered agent for service of process, Jim O. Llewellyn, 365 Canal Street, Room 1870, New Orleans, Louisiana 70140; Iris Enterprises, Inc. d/b/a The Fourth Media, through its registered agent for service of process, C.T. Corporation Systems, 2 Peachtree Street, N.W., Atlanta, Georgia 30383; and MCI Telecommunications, Inc. through its registered agent for service of process, U.S. Corporation Co., 1101 American Bank Building, New Orleans, Louisiana 70130, by placing a copy of same in the United States mail, postage prepaid, this 28 day of December, 1990.

PHILLIP R. WALLACE

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

FILED
U.S. DISTRICT COURT
EASTERN DIST. OF LA
DEC 31 2 55 PM '90

DAVID DUKE AND DAIVD DUKE
FOR U.S. SENATE COMMITTEE

CIVIL ACTION

NUMBER 90-3088

VERSUS

SOUTH CENTRAL BELL, INC., IRIS ENTERPRISES, INC. D/B/A THE FOURTH MEDIA and MCI TELECOMMUNICATIONS, INC.

SECTION "B" MAGISTRATE 2

REQUEST FOR SUMMONS

Please (issue), (re-issue) summons on the (complaint), (_____ amended complaint), (third-party complaint), (intervening complaint) to the following:

1. (Name) SOUTH CENTRAL BELL, INC., through its registered agent, Jim O. Llewellyn
   (Address) 365 Canal Street, Room 1870, New Orleans, Louisiana 70140
2. (Name) IRIS ENTERPRISES, INC., through its registered agent, C.T. Corporation Systems
   (Address) 2 Peachtree N.W., Atlanta, Georgia 30383
3. (Name) MCI TELECOMMUNICATIONS, INC., through its registered agent U.S. Corporation Co.
   (Address) 1101 American Bank Building, New Orleans, Louisiana 70130
4. (Name) _____
   (Address) _____

Attorney's Signature
PHILLIP K. WALLACE
201 Evans Road, Suite 401
Attorney's Address

New Orleans, Louisiana 70123

13198
Attorney's Bar Roll Number

Plaintiffs
Party Attorney Represents

FEE _____
PROCESS _____
X CHARGE _____
INDEX _____
ORDER _____
HEARING _____
DOCUMENT No. _____

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MINUTE ENTRY
WYNNE, M.
DECEMBER 21, 1990

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA

DAVID ERNEST DUKE, ET AL	CIVIL ACTION
VERSUS	NUMBER: 90-3088
SOUTH CENTRAL BELL, INC.	SECTION: "B" (2)

A preliminary pre-trial conference was held this date.

PRESENT: Edward H. Bergin, Esq.
Jim McPherson, Esq.

Pleadings have been completed. Jurisdiction is established.

All pre-trial motions shall be filed and served in sufficient time to permit hearing thereon no later than 30 days prior to trial date.

Depositions for trial use shall be taken and all discovery shall be completed not later than 30 days prior to pre-trial conference date.

Amendments to pleadings, third-party actions, cross-claims and counter-claims shall be filed no later than JANUARY 30, 1991. This provision sets deadlines only. You must seek leave of court if required by rule.

Pleadings responsive thereto, when required, shall be filed within the applicable delays therefor.

Written reports of experts who may be witnesses shall be obtained and exchanged by the parties not later than 60 days prior to pre-trial conference date.

Counsel for the parties shall file in the record and serve upon their opponents a list of all witnesses who may or will be called to testify on trial not later than 60 days prior to pre-trial conference.

Settlement possibilities were discussed. A further settlement conference will be scheduled before the Magistrate upon request of counsel.

DEC 28 1990
DATE OF ENTRY

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This case does not involve extensive documentary evidence.

A final pre-trial conference will be held before the District Judge on MAY 10, 1991 at 9:15 a.m. Counsel will be prepared in accordance with the final pre-trial notice attached.

Trial will commence on MAY 23, 1991 at 10:00 a.m. before the District Judge without jury. Attorneys are instructed to report for trial not later than 30 minutes prior to this time. The starting time on the first day of a jury trial may be delayed or moved up on hour because of jury pooling. Trial is estimated to last 2 day(s).

Deadline or cut-off dates fixed herein may only be extended by the Court upon timely application and upon a showing of good cause.

MICHAELLE PITARD WYNNE
UNITED STATES MAGISTRATE

CLERK TO NOTIFY COUNSEL

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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA
NEW ORLEANS 70130

FILED
2 53 PM '90

CHAMBERS OF
FREDERICK J. R. HEEBE
CHIEF JUDGE

RE: Preliminary Conference in

CA 90-3088 - DAVID E. DUKE V SOUTH CENTRAL BELL, INC.

Gentlemen:

A Preliminary Conference regarding this action will be held before Magistrate WYNNE, in his Chambers on the 21st day of DECEMBER, 1990 at 9:00 A.M. You will find enclosed a copy of my Standing Order pertaining to pre-trial conferences, Section 1 of which is applicable to preliminary conferences. Also enclosed is a statement of my policy regarding discovery motions.

Trial counsel will attend the conference. If, however, he is unable for good cause to do so, another representative of your office may attend if he is acquainted with all details of the case and authorized to enter into any necessary agreemen If, for good cause, neither is possible, you must file a motion to reset the conference at least one week prior to the above date.

This procedure is an effort to reduce the amount of paper work required in preparing for trial. It contemplates that a formal conference will be required only in those cases what wil be actually prepared for trial, and that such a conference will be held only a short time before the trial itself so that coun can prepare the pre-trial order at a time when it can be a par of their own trial preparation.

Thank you for your cooperation.

Very truly yours,

DATE OF ENTRY NOV 29 1990

Frederick J. R. Heebe,

F.J.R.H./hm
Encls.

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE and DAVID DUKE FOR U.S. SENATE COMMITTEE	*	CIVIL ACTION
	*	NO. 90-3088
VERSUS	*	SEC. B
SOUTH CENTRAL BELL, INC.	*	MAG. 2

* * * * * * * *

ANSWER TO COMPLAINT

NOW INTO COURT, through undersigned counsel, comes South Central Bell Telephone Co. ("South Central Bell" or "SCB"), which was improperly referred to in the Complaint as "South Central Bell, Inc.," to answer the Complaint as follows:

I.

The allegations in paragraph 1 are denied for lack of knowledge and information to justify a belief therein, except SCB admits the allegations that David Duke is a citizen of the United States and domiciled in Louisiana and resides within the Eastern District of Louisiana.

II.

The allegations in paragraph 2 of plaintiffs' Complaint are admitted, except that the proper name of SCB's parent corporation is BellSouth Corporation, not BellSouth, Inc.

III.

The allegations in paragraph 3 of plaintiffs' Complaint are admitted.

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IV.

The allegations in paragraph 4 of plaintiffs' Complaint are admitted.

V.

The allegations in paragraph 5 of plaintiffs' Complaint are denied for lack of knowledge and information sufficient to justify a belief therein.

VI.

The allegations in paragraph 6 are admitted, except that the proper name of SCB's parent corporation is BellSouth Corporation, not BellSouth, Inc.

VII.

The allegations contained in paragraph 7 of plaintiffs' Complaint are denied for lack of knowledge and information to justify a belief therein.

VIII.

The allegations contained in paragraph 8 of plaintiffs' Complaint are denied for lack of knowledge and information to justify a belief therein.

IX.

The allegations in paragraph 9 are denied, except that defendant admits that from the standpoint of the caller "900" numbers generally operate as follows: a caller dials the "900" number and hears a previously recorded message.

X.

The allegations contained in paragraph 10 of plaintiffs' Complaint are denied for lack of knowledge and information to justify a belief therein.

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XI.

The allegations contained in paragraph 11 of plaintiffs' Complaint are denied for lack of knowledge and information to justify a belief therein.

XII.

The allegations contained in paragraph 12 of plaintiffs' Complaint are denied for lack of knowledge and information to justify a belief therein.

XIII.

The allegations contained in paragraph 13 of plaintiffs' Complaint are denied for lack of knowledge and information to justify a belief therein.

XIV.

The allegations contained in paragraph 14 of plaintiffs' Complaint are denied for lack of knowledge and information to justify a belief therein.

XV.

The allegations contained in paragraph 15 of plaintiffs' Complaint are denied for lack of knowledge and information to justify a belief therein.

XVI.

The allegations contained in paragraph 16 of plaintiffs' Complaint are denied for lack of knowledge and information to justify a belief therein.

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XVII.

The allegations contained in paragraph 17 of plaintiffs' Complaint are denied for lack of knowledge and information to justify a belief therein.

XVIII.

The allegations contained in paragraph 18 of plaintiffs' Complaint are denied for lack of knowledge and information to justify a belief therein.

XIX.

The allegations in paragraph 19 of plaintiffs' Complaint are denied, however, the monies associated with any calls made to the "900" numbers assigned by Fourth Media to the David Duke campaign, to the extent such calls have been or will be billed by SCB, have been or will be timely forwarded to MCI Telecommunications, Inc. ("MCI") in accordance with SCB's contract with MCI.

XX.

The allegations in paragraph 20 of plaintiffs' Complaint are denied, except that SCB admits that a meeting between Messrs Courtney and Villar and representatives of the Duke Committee took place on August 22, 1990.

XXI.

The allegations contained in paragraph 21 of plaintiffs' Complaint are denied.

XXII.

The allegations contained in paragraph 22 of plaintiffs' Complaint are denied.

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XXIII.

The allegations in paragraph 23 of plaintiffs' Complaint are denied.

XXIV.

The allegations in paragraph 24 of plaintiffs' Complaint are denied.

XXV.

The allegations in paragraph 25 of plaintiffs' Complaint are denied.

XXVI.

The allegations in paragraph 26 of plaintiffs' Complaint are denied.

XXVII.

The allegations in paragraph 27 of plaintiffs' Complaint are denied.

XXVIII.

The allegations in paragraph 28 of plaintiffs' Complaint are denied.

XXIX.

The allegations in paragraph 29 of plaintiffs' Complaint are denied.

XXX.

The allegations contained in paragraph 30 of plaintiffs' Complaint are denied because SCB does not provide "900" telephone services and SCB further denies that any of its policies or practices are against public policy.

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XXXI.

The allegations contained in paragraph 31 of plaintiff's Complaint are denied.

XXXII.

SCB has received a courtesy copy of an Amended Complaint from plaintiffs which has not been filed with the Court. While no response is required to this pleading, SCB nevertheless denies any additional allegations made therein. SCB reserves the right to specifically plead in response to the Amended Complaint if and when it is properly filed with the Court.

FIRST AFFIRMATIVE DEFENSE

AND NOW, as an affirmative defense, South Central Bell asserts that plaintiffs' claims should be dismissed for failure to state a cause of action upon which relief can be granted.

SECOND AFFIRMATIVE DEFENSE

FURTHER, as an affirmative defense, South Central Bell asserts that plaintiffs' claims for injunctive relief are now moot in light of the fact that the election for United States Senate, for which Mr. Duke was a candidate, has already taken place.

THIRD AFFIRMATIVE DEFENSE

FURTHER, as an additional affirmative defense, South Central Bell specifically asserts that plaintiffs' claim should be dismissed for failure to join indispensable parties. Specifically, plaintiffs have failed to join the consulting firm Iris Enterprises, Inc. d/b/a Fourth Media, the only party with whom the plaintiffs had contractual relations. Plaintiffs have also failed

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to join MCI, the party that actually provided the "900" service at issue to Fourth Media.

FOURTH AFFIRMATIVE DEFENSE

FURTHER, as to count I of the Complaint, plaintiffs have no right of action against South Central Bell as South Central Bell has no direct relationship, contractual or otherwise, with either David Duke or his election Committee with respect to the matters at issue here.

FIFTH AFFIRMATIVE DEFENSE

FURTHER as to Count I of the Complaint, plaintiffs claim is either completely or partially barred due to plaintiffs' contributory negligence in failing to confirm in advance that South Central Bell would in fact handle the billing and collection for the "900" number at issue in this lawsuit.

SIXTH AFFIRMATIVE DEFENSE

FURTHER, as to Count III of the Complaint, plaintiffs have failed to state a cause of action, as they have failed to allege any conduct that violates the antitrust laws of the United States, 15 U.S.C. §1 et seq.

SEVENTH AFFIRMATIVE DEFENSE

FURTHER, as to Count III of the Complaint, plaintiffs have failed to state a cause of action, as they have failed to allege any injury to competition, which is a prerequisite to a cause of action under the Sherman Act, 15 U.S.C. §1, 2.

EIGHTH AFFIRMATIVE DEFENSE

FURTHER, as to Count III of the Complaint, plaintiffs lack standing to maintain an action based on the antitrust laws of

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the United States because plaintiffs have failed to meet the requisites established by the United States Supreme Court.

WHEREFORE, defendant to the Complaint, South Central Bell, prays that this answer to the Complaint, and the affirmative defenses and matters raised herein, be deemed good and sufficient, and that, after, due proceedings are had, there be judgment rendered in favor of South Central Bell, dismissing the Complaint, with prejudice, at the cost of David Duke and David Duke for U.S. Senate Committee; and for any other relief this Court deems just and equitable.

Respectfully submitted,

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EDWARD H. BERGIN (#2992)
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New Orleans, Louisiana 70140

Attorneys for South Central Bell Telephone Company

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CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing upon counsel of record for all parties to this proceeding, either by hand delivery or via the United States Postal Service, properly addressed and first-class postage prepaid, this Fifth day of October, 1990.

UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE	*	CIVIL ACTION 90-3088
VERSUS	*	NO. SECT. G MAG. 2
SOUTH CENTRAL BELL, INC.,	*	MAGISTRATE

* *

TEMPORARY RESTRAINING ORDER

Having considered the verified complaint, the motion of David Duke and David Duke for U.S. Senate Committee for a temporary restraining order, the affidavit submitted with that motion, the supporting memorandum, and the applicable law, the Court finds that the requested relief granted below is reasonably necessary in order to preserve the possibility of complete and meaningful relief at the conclusion of the litigation. In this case, all four prerequisites to the entry of the temporary restraining order requested by Duke are satisfied.

First, there is substantial likelihood that Duke will prevail on the merits. There is sufficient evidence provided by way of affidavit concerning the allegations of Duke. In addition, there is also evidence, according to affidavit, that [illegible] 900 number service has been terminated by Bell. Second, [illegible] irreparable harm resulting to Duke if preliminary injunctive relief is not entered is clear from the affidavit of Mr. Paul Allen, Assistant Treasurer of [illegible]

DOCUMENT No. [illegible]

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David Duke for U.S. Senate Committe, which describes the value of the 900 number services of Bell. Third, the threatened injury to the defendant of imposition of immediate injunctive relief in no way outweighs the harm to Duke if such relief is not granted since it appears, based upon the pleadings and affidavits filed by Duke, that whatever benefits are being obtained by defendant as a result of discontinuing the 900 number services to the Duke Committee are results of unfair practice or other wrongful action which should not be condoned under any circumstances. Fourth, the public interest, if it is implicated at all by the entry of injunctive relief in this case, is best served by the reinstatement of the 900 number services to the Duke Committee by Bell that entry of the requrest injunctive relief will represent.

IT IS HEREBY ORDERED, based upon the foregoing findings, that defendant, South Central Bell, Inc. their agents, employers, employees, servants, and/or attorneys, and all persons in active concert or participation with them, are hereby enjoined, ordered and compelled to:

(1) Reinstate the 900 number services that they had previously provided Plaintiffs.

DONE AND SIGNED in New Orleans, Louisiana this _____ day of _____, 1990.

UNITED STATES DISTRICT JUDGE

N.O. to Aug 29, 1990

Motion for TRO is denied.

Judge

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE	*	CIVIL ACTION
VERSUS	*	NO. 90-3088 SECT. G MAG. 2
SOUTH CENTRAL BELL, INC.	*	MAGISTRATE

* *

MOTION AND ORDER TO SET BOND AT $500.00

Plaintiffs, David Duke and David Duke for U.S. Senate Committee, through undersigned counsel, moves this Honorable Court to set security for the issuance of plaintiffs' injunction in the amount of FIVE HUNDRED ($500.00) DOLLARS and NO CENTS. Plaintiffs represent to this Court that the defendant will incur only minimal expenses if they are wrongfully required to reinstate the "900" number services for the Duke Committee.

Considering the foregoing;

IT IS ORDERED, ADJUDGED AND DECREED that the security for the injunction sough by David Duke and David Duke for U.S. Senate Committee be set at $500.00.

DONE AND SIGNED in New Orleans, Louisiana, this ____ day of _____, 1990.

_____
UNITED STATES DISTRICT JUDGE

N o t Aug 29, 1990
Moot

DATE OF ENTRY AUG 29 1990

(2)

FEE _____
PROCESS _____
X CTRM DEP _____
DOC. NO. _____

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U. S. SENATE COMMITTEE VERSUS SOUTH CENTRAL BELL, INC.	CIVIL ACTION NO. 90-3088 SECT. B, MAG. 2

MEMORANDUM IN OPPOSITION TO PLAINTIFFS' MOTION FOR TEMPORARY RESTRAINING ORDER

Defendant, South Central Bell Telephone Company ("South Central Bell") submits this memorandum in opposition to the Motion for Temporary Restraining Order filed by plaintiffs, David Duke and the David Duke for U.S. Senate Committee (the "Election Committee") (David Duke and the Election Committee are hereinafter collectively referred to as "Duke").

FACTS

South Central Bell has no direct relationship, contractual or otherwise, with either David Duke or his Election Committee with respect to the matters at issue here. A brief description of the facts will help demonstrate this point.

The Election Committee contracted with an entity known as Fourth Media, with facilities in Atlanta, Georgia, to provide certain fundraising services for the Duke Campaign. Fourth Media, in turn, contracted with a long distance carrier, MCI, to provide "900" services. A "900" telephone call is a long-distance

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interstate telephone call where the caller dials 1-900 plus a specified seven digit number. When the call gets to South Central Bell's switching equipment, the equipment recognizes from the first several digits that the call is to go through MCI and then handles the call appropriately. The switching equipment routes the call to MCI with electronically transmitted information concerning the number called and the number from which the call was made. In this case, MCI then routes the call to the local telephone company serving Atlanta, Georgia, and the local telephone company carries the call to Fourth Media's facility. When the call is completed, the caller hears a previously recorded message. The caller is then charged for the call at a rate determined by the contract between the marketing company, Fourth Media and the long-distance carrier, MCI. MCI records data concerning the call and assigns the appropriate charge for the call. The caller would be subsequently billed for this charge, which, in the case of the David Duke Campaign, is primarily $10 per call.

South Central Bell generally performs two services with respect to "900" telephone calls. First, it provides the long distance carrier access to local telephone lines and switches. The charge for this access service is made pursuant to tariffs on file with, and approved by, the Federal Communications Commission ("FCC"). South Central Bell has not discontinued this service to MCI and, thus, it is not at issue here.

South Central Bell also provides billing and collection services to MCI on a general basis. Thus, in addition to billing

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for MCI's normal long-distance calls, South Central Bell sometimes provides billing and collection services for all "900" telephone calls made on MCI's "900" service. The FCC has decided that, in the interstate arena, such billing and collection services should be unregulated. Accordingly, South Central Bell's obligations and rights with respect to its billing and collection for MCI are governed by a contract between South Central Bell and MCI. In performing the billing and collection service, South Central Bell takes the information provided by MCI and matches it with the billing name and address information for that number which are contained in South Central Bell's data base. It then would add the charges for these calls to a customer's normal monthly telephone bill and mails the bill.

South Central Bell has had a company policy for several years that it will not provide billing and collection services in connection with charitable or political fundraising. MCI has long been aware of this policy and, in fact has incorporated a provision in its contract with Fourth Media compelling Fourth Media to avoid any "900" service which would violate South Central Bell's policy.

In the present case, it is not clear whether South Central Bell ever actually provided billing and collection services in connection with the "900" telephone calls made to Fourth Media in connection with the Duke Campaign. Although certain local employees of South Central Bell may have been aware that calls were being made in connection with the Duke Campaign, those charged with

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enforcement of the Company policy were not. As soon as those responsible for the policy became aware that the "900" number related to collections for a political campaign, South Central Bell informed MCI that, consistent with its standing company policy, South Central Bell would not provide billing and collection services for the calls to David Duke's "900" number.

At the time South Central Bell learned of the problem, some phone calls had already been made to the "900" numbers provided by MCI to Fourth Media. It is not clear whether South Central Bell had, however, yet billed or collected for such calls. After South Central Bell became aware of the situation, when the billing data was provided by MCI to South Central Bell, South Central Bell segregated the calls placed to David Duke's "900" numbers and did not incorporate them in the telephone bills. It has retained such information and is willing to provide it to MCI or any party that MCI designates for billing and collection purposes.

South Central Bell has a standing arrangement with MCI to provide on request the billing name and address of all customers, so that MCI or its designee can bill customers directly. South Central Bell is even willing to provide this information on preprinted address labels. MCI has not requested such data in connection with the calls at issue here. This is significant in two respects. First, it shows that alternative billing arrangements are possible but no one has pursued them. Second, as will be discussed below, it demonstrates that no one has requested

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this information which is part of the information necessary for the reporting requirements under federal election laws.

South Central Bell has never suggested that MCI terminate its "900" service to Duke nor did South Central Bell terminate its local access to these 1-900 numbers. All that South Central Bell did was to terminate billing and collection services. As was the case with the Andrew Young Campaign, South Central Bell is willing to provide to MCI, or whomever it designates, the necessary information so that MCI or its designee can do the appropriate billings.

ARGUMENT

Plaintiffs in their memorandum correctly set forth the four elements that a plaintiff must prove before obtaining a temporary restraining order or preliminary injunction: (1) the plaintiff must prove that there is a substantial likelihood that it will prevail on the merits; (2) the plaintiff must prove that it will suffer irreparable harm if the injunctive relief is not granted (3) the court must determine whether the public interest will be served or disserved by the granting or withholding of injunctive relief; and (4) the court must balance the injury that is threatened to plaintiff if injunctive relief is not granted against any harm that may result to the defendant if injunctive relief is imposed. Allied Marketing Group, Inc. v. CDL Marketing, Inc., 878 F.2d 806, 809 (5th Cir. 1989); Canal Authority v. Callaway, 489

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F.2d 567 (5th Cir. 1974). Plaintiffs will be unable to meet any of these requirements in the present case.

I. PLAINTIFFS CANNOT SHOW THAT THEY WILL SUFFER IRREPARABLE INJURY.

The sine qua non of injunctive relief is a showing that plaintiffs are threatened with irreparable injury. Duke can make no such showing. South Central Bell has not terminated the access to the 1-900 numbers, nor has it urged MCI to cancel the 1-900 service. South Central Bell merely said that it would not provide billing and collection services for MCI for the "900" calls. South Central Bell has agreed, however, to provide the necessary billing information to MCI, or its designees, so that the billing and collection of the "900" calls can be made. Duke has not even attempted to make arrangements for such alternative billing and collection services. As mentioned previously, when South Central Bell's sister company, Southern Bell, terminated the billing and collection services in connection with the "900" service for Andrew Young, alterative billing and collection arrangements were made without any problem. There is no reason why such arrangements could not be made in the present case and, if they were, any injury to Duke would be prevented.

Duke is also not threatened with irreparable injury because he can make alternative arrangements for raising and collecting campaign contributions. One such possibility is the use of local telephone lines, as plaintiffs have already alleged that they have undertaken. See Complaint ¶ 31. Another possibility is through

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direct mail solicitation. In any event, any losses suffered by the Duke Campaign are readily quantifiable and can be compensated in money damages. Under such circumstances, injunctive relief is inappropriate. See Humana, Inc. v. Avram A. Jacobsen, M.D., P.A., 804 F.2d 1390, 1394 (5th Cir. 1986); see also Rayford v. Bowen, 715 F. Supp. 1347, 1351 (W.D. La. 1989) ("Financial losses are not considered irreparable when they can be calculated because there is an adequate remedy at law").

II. PLAINTIFFS HAVE NOT DEMONSTRATED THAT THEY ARE LIKELY TO SUCCEED ON THE MERITS.

The basis for plaintiffs' claims against South Central Bell is not clear. What is clear is that plaintiffs have no direct contractual relationship with South Central Bell. Rather, plaintiffs contracted with Fourth Media. Fourth Media has a general contractual relationship with MCI which includes many "900" numbers, including, but not limited to, those provided to Duke. MCI in turn has a contract with South Central Bell to provide billing and collection services to MCI generally, not just with specific "900" numbers. Therefore, plaintiffs' have not stated and cannot state a contract cause of action against South Central Bell.

Plaintiffs have attempted to state a detrimental reliance claim against South Central Bell. Such claim is inappropriate in this case. As will be discussed below, granting plaintiffs the relief they seek could place South Central Bell and plaintiffs in violation of the federal election laws. Because of this,

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plaintiffs' detrimental reliance claim must fail for it is well settled that equitable considerations cannot be permitted to prevail when they conflict with positive written law. See Louisiana State Troopers Ass'n, Inc. v. Louisiana State Police Retirement Bd., 417 So.2d 440, 445, (La. App. 1st Cir. 1982); Chambers v. Parochial Employees' Retirement System of Louisiana, 398 So.2d 102, 105 (La. App. 3d Cir. 1981); Nicholson v. Grisaffe, 436 So.2d 763, 769 (La. App. 3d Cir. 1983), rev'd on other grounds 438 So.2d 550 (La. 1983).

Even assuming that plaintiffs' detrimental reliance claim is appropriate in this case (which it is not), plaintiffs have failed to state such a claim. Plaintiffs have not alleged any statements by South Central Bell employees authorized to make Company policy statements, on which the plaintiffs rely. The only statements of South Central Bell representatives that plaintiffs allege are those made by Messrs. Courtney and Villar in a meeting on August 22, 1990. See Complaint, ¶ 20. South Central Bell denies the accuracy of those allegations. Regardless of their accuracy, it is clear from the face of the Complaint that they were not made until long after Duke had arranged for the "900" telephone service with MCI and had advertised the "900" telephone number in the media. Statements by South Central Bell employees in August 1990 cannot serve as the basis for any detrimental reliance by Duke in connection with actions made in June 1990. As noted in John Bailey Contractor v. State, 425 So.2d 287, (La. App. 3d Cir. 1983) aff'd 439 So.2d 1055 (La. 1983), "Equitable estoppel has no application

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unless the person making it relied, and had a right to rely, upon the representations or conduct of the person, or persons, sought to be estopped." Id. at 328. Additionally, although Duke may have had conversations with Fourth Media and/or MCI, those allegations cannot be attributed to South Central Bell and, thus, cannot provide the basis for a detrimental reliance claim against South Central Bell.

Plaintiffs' second "count" involves plaintiffs' claims for funds allegedly already collected by South Central Bell in connection with the "900" number. As will be shown at the trial on the merits, plaintiffs' allegations in this count are factually incorrect. In any event, they need not be discussed herein since they do not form a basis for plaintiffs' requested injunctive relief.

Plaintiffs' third count is an extremely vague antitrust cause of action which is riddled with deficiencies. First, plaintiff has not alleged a requisite antitrust injury, i.e., injury to competition. Injury to competition is not shown by injury to, or the elimination of, a single competitor alone. E.g., Kaplan v. Burroughs Corp., 611 F.2d 286, 291 (9th Cir.), cert. denied, 447 U.S. 924 (1979); H & B Equipment Co. v. International Harvester Co., 577 F.2d 239, 245 (5th Cir. 1978). It has been long recognized that "the antitrust laws . . . were enacted for the 'protection of competition not competitors.'" Brunswick Corporation v. Pueblo Bowl-O-Mat, Inc., 429 U.S. 477, 488 (1977) (quoting Brown Shoe Co. v. United States, 370 U.S. at 320). Further, plaintiffs'

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antitrust allegations do not state a cause of action under Section 1 of the Sherman Act because they do not allege a combination or a conspiracy in restraint of trade. It is well settled that Section 1 of the Sherman Act does not reach unilateral conduct. "Independent action is not proscribed. A manufacturer of course generally has a right to deal, or refuse to deal, with whomever it likes, as long as it does so independently." Monsanto v. Spray-Rite Service Corp., 465 U.S. 752, 760, 104 S.Ct. 1964, 1969 (1983); See also Copperweld v. Independence Tube Corp., 467 U.S. 752, 104 S.Ct. 2731, 2740 (1984). Plaintiffs have not stated a cause of action under Section 2 of the Sherman Act because they have not alleged any anti-competitive action in connection with a monopoly, an attempt to monopolize, or a combination or conspiracy to monopolize. See 15 U.S.C. § 2.

Additionally, as will be more fully developed at trial, plaintiffs' allegations of discrimination are unfounded. South Central Bell has had a uniform policy for years that it will not provide billing and collection services for political or charitable fundraising. The only exceptions to this have occurred in temporary, inadvertent situations which were promptly corrected when those in charge became aware of the violation. There have been no other deviations from the Company's policy. Finally, there are numerous other deficiencies with respect to plaintiffs' antitrust allegations which can be addressed more fully at a later date.

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From the foregoing, it is evident that plaintiffs have not and cannot state a cause of action against South Central Bell. Therefore, it is extremely unlikely, if not impossible, for plaintiffs to prevail on the merits.

III. THE PUBLIC INTEREST WOULD NOT BE SERVED BY THE ISSUANCE OF A TEMPORARY RESTRAINING ORDER.

Duke argues that the public interest is best served by ordering South Central Bell to "reinstate the "900" number services previously provided." To the contrary, to compel South Central Bell to bill and collect for the 900 services virtually assures that Duke will be unable to comply with the requirements of Federal Election Campaign Act and its regulations. 2 U.S.C. et seq. and 11 CFR 1.1 et seq. The failure to comply with the Federal Election Act can result in criminal and civil penalties. 18 U.S.C. 494 and 495, 11 CFR 1.12. Although South Central Bell did not contract with anyone to ensure compliance with the Federal Election laws, South Central Bell is arguably in that position. If the Federal Election Commission complains about the adequacy of the Duke campaign's records, one can anticipate that Duke's response will be that, in light of the circumstances, the Treasurer has made his best efforts and justifiably relied on South Central Bell's records. In fact, to South Central Bell's surprise, counsel for Duke has already suggested that South Central Bell is Duke's "agent" for billing and collection.

Duke's Election Committee Treasurer must keep records showing the amount, date of receipt, and the name and address of everyone

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who makes a contribution of more than $50 in connection with a federal election. 11 CFR 102.9(a)(1). Additionally, if the donor contributes more than $200 during the same calendar year, the donor's occupation and employer must be retained by the Treasurer. 11 CFR 102.9(a)(2). As a practical matter, the Treasurer must keep all of this information regardless of amount because a campaign does not know whether the donor will contribute at a later date, either during the election or calendar year. Moreover, the Treasurer must keep records of each contribution from another political committee, regardless of amount, which must indicate amount, date of receipt and name and address of the donor committee. 11 CFR 102.9(a)(3).

The Treasurer is also compelled to ensure and make his best efforts to determine that a "prohibited" source does not make a contribution to the campaign. 11 CFR 103.3(b)(1). For instance, labor unions, corporations, national banks, foreign nationals, and Federal government contractors are all prohibited from making contributions in Federal elections. 11 CFR 114.2(a) and (b), 110.4(a)(1), 115.2(a). In order to comply with these regulations, the Treasurer must know who the donor is, along with the other information cited in the prior paragraphs.

South Central Bell has not been requested to, and has not agreed to, nor does it, keep a record of the name, address, occupation and employer of the actual donor. South Central Bell has the capability of identifying the name and address of

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recipients of its bills.[1] However, South Central Bell does not and cannot, in the ordinary course of its business, determine who actually paid the bill. Since South Central Bell does not keep a record of the maker of the check it receives for payment of the bill, which is obviously the best evidence of the identity of the donor, the Duke Treasurer does not have the ability by use of the 900 service, as ordinarily contracted for, to comply with the Federal Regulations.

The public policy of encouraging compliance with the Federal Election Act would be defeated by an order requiring South Central Bell to bill and collect for the 900 services in connection with political fundraising. In fact, such an order would result in non-compliance because the Treasurer of the Duke Campaign could not maintain nor retain the records mandated by the regulations cited above. Since Duke has other options to collect campaign contributions which would comply with the law, the public policy is best served by denying the relief requested.

IV. THE BALANCING OF HARM WEIGHS AGAINST THE ISSUANCE OF AN INJUNCTION.

As has been shown previously, plaintiffs are not threatened with irreparable injuries because there are alternative methods available by which plaintiffs can pursue their fundraising activities. More particularly, there are methods by which

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[1]As mentioned previously, in the present case South Central Bell has not been requested to provide even this limited information to MCI or any other party.

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plaintiffs can continue to have the "900" service continued and billed through other parties. On the other hand, the issuance of the injunction may place South Central Bell, and indeed plaintiffs themselves, in a position where they are engaging in fundraising activities in a manner which is not in compliance with the federal election statutes. Moreover, any order directing South Central Bell to provide billing and collection services for MCI in the context of political fundraising, when it does not provide similar services for other carriers would place South Central Bell in a position of discriminating in the services it provides. Under such circumstances, it would be in violation of the Modified Final Judgment in the AT&T divestiture case which strictly prohibits such discrimination. See United States v. AT&T (Western Electric), 552 F. Supp. 131, 227 (D.C.D.C 1983), aff'd, 103 S.Ct. 1230 (1983).

V. WHERE ARE MCI AND FOURTH MEDIA?

The gravamen of plaintiffs' complaint is that its "900" service has been terminated The primary relief which plaintiffs seek by way of temporary restraining order and preliminary injunction is a restoration of that service. Amazingly, plaintiffs make such allegations and seek such relief without naming as a defendant MCI, which is the company that provides the "900" service to Fourth Media. If there is a contract cause of action in this matter, it would be between Fourth Media and MCI who are in privity. Possibly there is a contract action between Duke and Fourth Media who are also in privity.

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Plaintiffs seek restoration of services provided by MCI and Fourth Media, and in their "absence complete relief cannot be accorded among those already parties." See Fed R. Civ. Proc. 19.

CONCLUSION

Plaintiffs' application for temporary restraining order should be denied because plaintiffs are unable to meet any of the four requisites for such relief. Plaintiffs cannot demonstrate irreparable injury, nor can they show the probability of success on the merits under any of the theories alleged. Further, because the relief requested by plaintiffs may place South Central Bell and plaintiffs in violation of federal election laws, the public interest would not served by issuance of a temporary restraining order, and for similar reasons, the balance of harm weighs against the issuance of the TRO. Therefore, South Central Bel. respectfully suggests that plaintiffs' application for a temporar. restraining order be denied, and that plaintiffs' Complaint be dismissed at plaintiffs' sole cost.

Respectfully submitted,

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OF COUNSEL:

~~JIM G. LEWELLYN~~ (C)
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New Orleans, Louisiana 70140

Attorneys for South Central
Bell Telephone Company

CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that I have on this 2nd day of August, 1990 served a copy of the foregoing pleading on counsel for all parties to this proceeding by hand delivering same.

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE	*	CIVIL ACTION
VERSUS	*	NO. 90-3088
SOUTH CENTRAL BELL, INC.	*	SECT. B, MAG. 2

****

AFFIDAVIT OF WILLIAM B. COURTNEY

STATE OF LOUISIANA

PARISH OF ORLEANS

BEFORE ME, the undersigned notary, came and appeared

WILLIAM B. COURTNEY

who under oath, swore and deposed as follows

1. That he is employed by South Central Bell Telephone Company in the capacity of District Manager-Corporate and Community Affairs.

2 That in such capacity he is responsible for maintaining contacts with representatives of state and local government for an area in Louisiana which includes the state congressional district that David Duke represents.

3. That on or about July 23, 1990, he saw for the first time an advertisement for a "900" telephone number that could be called to make contributions for Mr. Duke's campaign for the United States Senate.

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4 That for several years he has been aware of the fact that, under certain circumstances, South Central Bell provides billing and collection services to MCI, as well as other long distance companies, and that such billing and collection services sometimes include the billing and collection of amounts charged for calls placed to "900" telephone numbers.

5. That on or about August 6, 1990, he was told by Merlin Villar that if South Central Bell were billing for David Duke's "900" number, there might be a conflict with Company policy.

6. That prior to his conversation with Merlin Villar on or about August 6, 1990, he had not been aware of any Company policy regarding billing and collection with respect to "900" numbers used for political or charitable purposes.

7. That on or about August 17, 1990, he learned that South Central Bell had discontinued billing and collecting with respect to calls placed to Mr Duke's "900" telephone number.

8. That on August 22, 1990, he met with David Duke and others to discuss South Central Bell's actions with respect to its billing and collection for calls placed to Mr. Duke's "900" number.

9. That at such meeting he informed those present that South Central Bell does not furnish "900" telephone service but rather furnishes network access to long distance companies such as MCI and provides billing and collection services for such companies under certain circumstances.

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10. That at such meeting he informed those present of South Central Bell's policy not to furnish billing and collection services with respect to "900" numbers used to solicit political or charitable contributions.

11. That at such meeting he informed those present that he had seen the advertisements for Mr. Duke's "900" number

12. That at such meeting he did not admit that "Bell" or any employee of South Central Bell was aware from the beginning that Mr Duke's "900" number was being used in a political campaign.

I have read the above and foregoing affidavit and swear that it is true and correct to the best of my knowledge.

William B. Courtney

WILLIAM B. COURTNEY

SWORN TO AND SUBSCRIBED
BEFORE ME THIS THE 21st
DAY OF August, 1990

Keith G. Landry

NOTARY PUBLIC

KEITH G. LANDRY
NOTARY PUBLIC
Parish of Orleans, State of Louisiana
My Commission is issued for life.

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE	*	CIVIL ACTION
VERSUS	*	NO. 90-3088
SOUTH CENTRAL BELL, INC.	*	SECT. B, MAG. 2

* *

AFFIDAVIT OF MERLIN M. VILLAR

STATE OF LOUISIANA

PARISH OF ORLEANS

BEFORE ME, the undersigned notary, came and appeared

MERLIN M. VILLAR

who under oath, swore and deposed as follows.

1. That he is employed by South Central Bell Telephone Company in the capacity of Manager-Corporate and Community Affairs.

2. That in such capacity he is responsible for maintaining contacts with representatives of state and local government for an area in Louisiana which includes the state congressional district that David Duke represents.

3. That on or about July 15, 1990, he saw for the first time an advertisement for a "900" telephone number that could be called to make contributions for Mr Duke's campaign for the United States Senate.

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4. That for several years he has been aware of the fact that, under certain circumstances, South Central Bell provides billing and collection services to MCI, as well as other long distance companies, and that such billing and collection services sometimes include the billing and collection of amounts charged for calls placed to "900" telephone numbers.

5. That on or about August 6, 1990, he received an interoffice memorandum concerning billing and collection with respect to "900" numbers used to solicit political and charitable contributions.

6. That upon receipt of such memorandum, he inquired as to whether South Central Bell provided billing and collection services with regard to Mr. Duke's "900" number and, if so, whether this was in conflict with Company policy.

7. On or about August 8, 1990, he received confirmation that South Central Bell had been providing billing and collection services with regard to Mr Duke's "900" number and that this was in conflict with Company policy.

8. That on or about August 17, 1990, he learned that South Central Bell had discontinued billing and collecting with respect to calls placed to Mr. Duke's "900" telephone number.

9. That on August 22, 1990, he met with David Duke and others to discuss South Central Bell's actions with respect to its billing and collection for calls placed to Mr. Duke s "900" number.

10. That at such meeting William B. Courtney informed those present that South Central Bell does not furnish "900" telephone service but rather furnishes network access to

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long distance companies such as MCI and provides billing and collection services for such companies under certain circumstances.

11. That at such meeting William B. Courtney informed those present of South Central Bell's policy not to furnish billing and collection services with respect to "900" numbers used to solicit political or charitable contributions.

12. That at such meeting he did not admit that "Bell" or any employee of South Central Bell was aware from the beginning that Mr. Duke's "900" number was being used in a political campaign.

I have read the above and foregoing affidavit and swear that it is true and correct to the best of my knowledge.

MERLIN M. VILLAR

SWORN TO AND SUBSCRIBED
BEFORE ME THIS THE 27th
DAY OF August, 1990.

NOTARY PUBLIC
KEITH G. LANDRY
NOTARY PUBLIC
Parish of Orleans, State of Louisiana
My Commission is issued for life

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE	*	CIVIL ACTION
	*	NO. 90-3088
VERSUS	*	
	*	MAGISTRATE 2, SECT. B
SOUTH CENTRAL BELL TELEPHONE COMPANY	*	

* *

AFFIDAVIT OF BRUCE L. LILES

Bruce L. Liles, being duly sworn, deposes and says:

1. I am employed by BellSouth Services Incorporated, in the Carrier Access Services Department, as the Product Manager for Billing and Collection Services. In that capacity, I assist in the administration of billing and collection services provided to interexchange carriers.

2. South Central Bell Telephone Company ("South Central Bell") provides billing and collection services to MCI Telecommunications Corporation ("MCI") pursuant to the terms of billing and collection service operating contracts (the "Contracts") between MCI and South Central Bell, dated June 16, 1987 (Dial One, Invoice Ready billing) and April 17, 1989 (Casual Call billing), and applicable state tariffs (the "Tariffs").

3. Pursuant to the Contracts and Tariffs, South Central Bell bills messages carried by an interexchange carrier to an end

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user. The Contracts and Tariffs do not provide for the billing of political contributions by South Central Bell.

4. South Central Bell's policy is that the telephone company will not bill end users for political contributions. This policy has been in effect since January 1, 1984, when South Central Bell began offering its billing and collection services to interexchange carriers. South Central Bell's policy has been discussed with MCI's representatives on numerous occasions.

5. In billing messages for an interexchange carrier, South Central Bell has no procedures for: (i) verifying that the caller is the party to whom the bill is sent; (ii) verifying that the bill is paid by the party to whom the bill is sent; and (iii) assuring that bills are not sent to or paid by corporations.

Signed this 27th day of August, 1990.

Bruce L. Liles
Product Manager - Carrier Access Services
BellSouth Services Incorporated

(SEALED)

Pamela G. Williams
Notary Public
My Commission Expires: M. Bonar

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE	*	CIVIL ACTION
VERSUS	*	NO. 90-3088
SOUTH CENTRAL BELL, INC.,	*	MAGISTRATE SECT. G MAG. 2

* *

MOTION FOR TEMPORARY RESTRAINING ORDER

NOW INTO COURT, through undersigned counsel, comes David Duke and David Duke for U.S. Senate Committee, Plaintiffs, and pursuant to Rule 65(b) of the Federal Rules of Civil Procedure, move this court to grant a temporary restraining order against defendant, South Central Bell, Inc., its agents, servants, employees, and attorneys, and those persons in active concert and participation with it, as follows:

> Requiring that defendant reinstate the "900" number services that they had previously provided to Plaintiff;

pending a hearing and disposition of plaintiffs' motion for a preliminary injunction filed herein on the ground that immediate and irreparable loss, damage, and injury will result to plaintiff before a hearing can be had on plaintiff's motion for a preliminary injunction if Bell is permitted to deny Plaintiffs the "900" number service they had previously provided Plaintiff.

DATE OF ENTRY AUG 29 1990

(2)

Fee
Process
X Dkt
CtRmDep
Doc. No.

DOCUMENT No. 3

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The facts and grounds in support of this motion are more fully set forth in the verified Complaint, Affidavit, and Supporting Memorandum of Law which are being submitted simultaneously with this motion.

WHEREFORE, David Duke and David Duke for U.S. Senate Committee pray that its Motion for Temporary Restraining Order be granted and that a hearing on its Motion For a Preliminary Injunction be scheduled at the earliest opportunity.

Respectfully submitted,

WALLACE, McPHERSON & KENNEDY

PHILLIP R. WALLACE (#13198)
201 Evans Road, Suite 401
New Orleans, Louisiana 70123
Telephone: (504) 734-5100

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE	*	CIVIL ACTION
VERSUS	*	NO.
SOUTH CENTRAL BELL, INC.	*	MAGISTRATE

* *

RULE 65(B) CERTIFICATE

MAY IT PLEASE THE COURT:

Pursuant to the provisions of Rule 65(b) of the Federal Rules of Civil Procedure, undersigned counsel for plaintiffs, David Duke and David Duke for U.S. Senate Committee, does hereby certify in conjunction with the Motion for Temporary Restraining Order filed simultaneously herewith that:

1. At approximately 9:45 a.m., August 27, 1990, undersigned counsel for plaintiffs, called James Llewellyn of South Central Bell, Inc., at New Orleans, Louisiana, who is an attorney with defendant, South Central Bell, Inc., concerning the filing of the above captioned Complaint and the special injunctive relief being sought. I advised Mr. Llewellyn of the nature of the lawsuit and the fact that we intended to obtain a temporary restraining order today and outlined generally the terms of the proposed restraining order. A copy of the suit papers in this action

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have been faxed to Mr. Llewellyn.

Undersigned counsel states that he believes that additional efforts to give notice to defendant, South Central Bell, Inc., are unnecessary in light of the efforts hereinabove described that have been undertaken this morning, the fact that formal service of process is being undertaken simultaneously with the filing of this suit, and because immediate and irreparable harm will be suffered by Plaintiffs if the injunctive relief sought is not granted immediately.

Respectfully submitted,

WALLACE, McPHERSON & KENNEDY

PHILLIP K. WALLACE
201 Evans Road, Suite 401
New Orleans, Louisiana 70123
Telephone: (504) 734-5100
Bar Roll No. 13198

SWORN TO AND SUBSCRIBED
BEFORE ME, This 27th
day of August, 1990.

NOTARY PUBLIC

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE	*	CIVIL ACTION
VERSUS	*	NO. 90-3088 SECT. G MAG. 2
SOUTH CENTRAL BELL, INC.,	*	MAGISTRATE

* *

TEMPORARY RESTRAINING ORDER

Having considered the verified complaint, the motion of David Duke and David Duke for U.S. Senate Committee for a temporary restraining order, the affidavit submitted with that motion, the supporting memorandum, and the applicable law, the Court finds that the requested relief granted below is reasonably necessary in order to preserve the possibility of complete and meaningful relief at the conclusion of the litigation. In this case, all four prerequisites to the entry of the temporary restraining order requested by Duke are satisfied.

First, there is substantial likelihood that Duke will prevail on the merits. There is sufficient evidence provided by way of affidavit concerning the allegations of Duke. In addition, there is also evidence, according to affidavit, that [illegible] 900 number service has been terminated by Bell. Second, [illegible] irreparable harm resulting to Duke if preliminary injunctive relief is not entered is clear from the affidavit of Mr. Paul Allen, Assistant Treasurer of

DOCUMENT No.

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David Duke for U.S. Senate Committe, which describes the value of the 900 number services of Bell. Third, the threatened injury to the defendant of imposition of immediate injunctive relief in no way outweighs the harm to Duke if such relief is not granted since it appears, based upon the pleadings and affidavits filed by Duke, that whatever benefits are being obtained by defendant as a result of discontinuing the 900 number services to the Duke Committee are results of unfair practice or other wrongful action which should not be condoned under any circumstances. Fourth, the public interest, if it is implicated at all by the entry of injunctive relief in this case, is best served by the reinstatement of the 900 number services to the Duke Committee by Bell that entry of the requrest injunctive relief will represent.

IT IS HEREBY ORDERED, based upon the foregoing findings, that defendant, South Central Bell, Inc. their agents, employers, employees, servants, and/or attorneys, and all persons in active concert or participation with them, are hereby enjoined, ordered and compelled to:

(1) Reinstate the 900 number services that they had previously provided Plaintiffs.

DONE AND SIGNED in New Orleans, Louisiana this ____ day of _____, 1990.

UNITED STATES DISTRICT JUDGE

N.O. La Aug 29, 1990
Motion for TRO is denied.
Frederick J. R. Heebe
Judge

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE	*	CIVIL ACTION
VERSUS	*	NO. 90-3088
SOUTH CENTRAL BELL, INC.	*	SECT. B, MAG. 2

* *

PLAINTIFF'S
MEMORANDUM IN SUPPORT OF MOTION FOR
TEMPORARY RESTRAINING ORDER

* *

Privity of Contract Between
David Duke and Bell

David Duke did not deal directly with Bell in arranging for billing the 900 services; nevertheless, Bell, in providing the billing and collecting services, entered into an implied contract to continue these services. The anti-trust laws do not limit relief to persons in a direct contractual status. Council of Milk Producers, Inc. vs. Newton, 360 F. 2d 414, (1966). Any person who has been injured in his business or property by reason of anything forbidden in anti-trust laws may sue therefore and may recover threefold damages sustained. Id.

Additionally, the fact that David Duke purchased the 900 number services through a third party has no bearing on plaintiff's right to sue Bell under 15 USC Sections 1-7 as the actual party causing plaintiff's injury. State of Montana vs. Stupp Bros. Bridge and Iron Co., 248 F. Supp. (1965). In this case, it was solely Bell's denial of billing and not actions of a third party that caused the plaintiff's injury.

Finally, courts have held that 15 USC Sections 1-7 are not limited to restaints on sale of goods, but it is well settled that the sections bar of unreasonable restaints on trade or commerce extends to service industries. Pacific Seafarers, Inc. vs. Pacific Fareast Line, Inc., 404 F. 2d 804 (1969).

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Timing in this action is critical. Because Bell's actions and the resulting effective denial of campaign funds to Duke come on the eve of the U.S. Senate race, the damages inflicted on plaintiff by the failure of this temporary restraining order to issue could not later be rectified, even in the event plaintiff should prevail on the merits of all counts.

The harm done to plaintiff before the election simply can not be repaired by a dollar amount fixed at a later date.

Therefore, plaintiff respectfully prays, this honorable court to grant its temporary restraining order with all cost to defendant.

Respectfully submitted,

WALLACE, McPHERSON & KENNEDY

PHILLIP K. WALLACE (T.A.)
201 Evans Road, Suite 401
New Orleans, Louisiana 70123
Telephone: (504) 734-5100
Bar Roll No. 13198

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE	*	CIVIL ACTION
VERSUS	*	NO. 90-3088 SECT. G MAG. 2
SOUTH CENTRAL BELL, INC.	*	MAGISTRATE

* *

MOTION AND ORDER TO SET BOND AT $500.00

Plaintiffs, David Duke and David Duke for U.S. Senate Committee, through undersigned counsel, moves this Honorable Court to set security for the issuance of plaintiffs' injunction in the amount of FIVE HUNDRED ($500.00) DOLLARS and NO CENTS. Plaintiffs represent to this Court that the defendant will incur only minimal expenses if they are wrongfully required to reinstate the "900" number services for the Duke Committee.

Considering the foregoing;

IT IS ORDERED, ADJUDGED AND DECREED that the security for the injunction sough by David Duke and David Duke for U.S. Senate Committee be set at $500.00.

DONE AND SIGNED in New Orleans, Louisiana, this _____ day of _____, 1990.

_____
UNITED STATES DISTRICT JUDGE

N o t Aug 29, 1990
Moot

DATE OF ENTRY AUG 29 1990
(2)

FEE _____
PROCESS _____
DKTD _____
CTRM _____
DOC. NO. _____

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE	*	CIVIL ACTION 90-3088
VERSUS	*	NO. SECT. GE/4 2
SOUTH CENTRAL BELL, INC.	*	MAGISTRATE

* *

COMPLAINT

Now comes plaintiffs, David Duke, a person of the full age of majority and David Duke for U.S. Senate Committee, who respectfully represent as follows:

STATEMENT OF JURISDICTION AND VENUE

1. The Plaintiff, David Duke, a citizen of the United States of America, State of Louisiana is domiciled and residing within the Eastern District of Louisiana. The Plaintiff, David Duke for U.S. Senate Committee, is a campaign committee organized under the Federal Election Commission laws and rules and has its headquarters located within the Eastern District of Louisiana. The matter in controversy exceeds, exclusive of interest and costs, the sum of $50,000.00. This court has jurisdiction based on 28 U.S.C. §1332.

2. The Defendant, South Central Bell, Inc., a wholly owned subsidiary corporation of Bell South, Inc., is

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a corporation incorporated under the laws of the State of Georgia, with its principal business establishment in Birmingham, Alabama, and is duly qualified to do business in the State of Louisiana, maintaining an office in the City of New Orleans in the Eastern District of Louisiana.

3. This court has proper venue as to this action pursuant to 28 U.S.C. §1391.

THE PARTIES

4. The Plaintiff, David Duke, is a citizen of the United States of America, State of Louisiana, domiciled and residing within the Eastern District of Louisiana.

5. The Plaintiff, David Duke for U.S. Senate Committee (hereinafter "Duke Committee"), is a campaign committee organized and has its headquarters within the Eastern District of Louisiana and was designated as the Principal Campaign Committee for David Duke pursuant to Federal Election Law.

6. The Defendant, South Central Bell, Inc., a wholly owned subsidiary corporation of Bell South, Inc. (hereinafter "Bell"), is a Georgia corporation, domiciled in and having its principal place of business in the State of Alabama. Bell is qualified to do and is doing business in the State of Louisiana, maintaining an office therefor in the City of New Orleans.

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BACKGROUND FACTS

7. David Duke, a registered Republican, is a duly qualified candidate for the United States Senate having met all state and federal requirements for the primary election to be held October 6, 1990. A statement of candidacy was filed with the Federal Election Commission, FEC Form 2, (revised 4/87), dated December 19, 1989, having Identification Number C00240408.

8. In order to inform the Louisiana electorate of the issues and positions held by Mr. Duke and as a means of raising revenue, it was decided by the candidate and the committee to obtain a "900" telephone number and advertise that number to the public.

9. The "900" number operates as follows: a caller dials the 900 number (1-900- + the 7 digit assisgned number) and hears a previously recorded message. The caller is charged for the call which is added to his telephone bill.

10. On or about June, 1990, a representative of the Duke Committee phoned Roy Knight, President of Fourth Media, a firm specializing in telemarketing and media productions.

11. The purpose of the aforesaid telephone conversation was to discuss the proposed use of a "900-toll number" for campaign activities in conjunction with David Duke's campaign for a seat in the United States Senate.

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12. The "900" number service was desired for use in providing callers with recorded information for which they would be charged a fee. Duke Committee provided Fourth Media with a copy of the proposed script of the recorded information. The script was subsequently approved by Fourth Media. The script was as follows:

> This is Representative David Duke talking to you from the Louisiana State Capitol. You will be charged ten dollars ($10.00) on your phone bill for this call. If you don't want to incur these charges, hang up now.
>
> You are vitally important to this winning campaign for the U.S. Senate. I am opposed to affirmative action. I believe in equal rights for all Americans. I believe we should require welfare recipients to work for their welfare checks. And I say no new taxes. Urge your friends to support this campaign. We need your support. Give them this number: 1-900-226-1999. We need your help. We'll send you information at the sound of the beep. Speak clearly your name, address, zip code, and telephone number. Thank you again for your continuing support.

13. An agreement between Fourth Media and the Duke Committee was reached, whereby the Duke Committee would receive, approximately 30 days after a normal billing period, a net dollar amount after deducting expenses of approximately $1.93 from the cost of the call.

14. Immediately upon reaching the agreement with the Duke Committee, Fourth Media issued the Duke Committee a temporary "900" number, 1(900)990-1010 for its use until a

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"permanent" number could be assigned.

15. Beginning on or about June, 1990, the Duke Committee aired a 30 minute program on various television channels in seven cities: Shreveport, Monroe, Alexandria, Lake Charles, Lafayette, Baton Rouge and New Orleans throughout the State of Louisiana. During these programs, viewers were given the opportunity to call 1(900)226-1999 to hear a pre-recorded message from David Duke. Once the call was connected, the caller was again given the option to hear the recorded information and be charged a flat fee of Ten ($10.00) Dollars or the caller could, at that point, hang up and avoid being billed.

16. In addition to the television promotion, the "900" number was published in newspapers throughout the State of Louisiana in paid advertisements beginning on or about June, 1990.

17. Additionally, the "900" number was mentioned in flyers mailed to approximately 150,000 households.

18. In early August, 1990, a decision was made by David Duke to have another statewide showing of his 30 minute program with a new ending and promotion of a new "900" number (1-900-226-DUKE). T.V. Schedule attached hereto as Exhibit "A". It was anticipated that this showing would produce at least 25,000 calls (the previous callers

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had totalled approximately 9,000). The projected increase was based upon more viewers and more accessability to callers from independent telephone companies that were unable to use the "900" number previously.

19. On or about August 15, 1990, David Duke for U.S. Senate Committee was informed that the use of the "900" number had been discontinued by Bell due to company policy. Subsequently, Bell has announced that they will forward sums collected on Duke numbers from June 23 through July 23. The status of subsequent calls is not clear. To date, no money has been received by David Duke or David Duke for U.S. Senate Committee for any 900 calls.

20. On August 22, 1990, David Duke, his attorney, a representative of Duke Committee and two representatives of Bell, Mr. William Courtney and Mr. Mervin Villar, met and discussed Duke's request to have the "900" number reinstated for the duration of the campaign. Bell's position was that this was against company policy to provide 900 numbers for political campaign or charitable fund raisers. Mr. Courtney and Mr. Villar admitted that Bell was aware from the beginning that this number was being used in a political campaign.

21. As a result of Bell's termination of the 900 number services for the Duke Committee, David Duke and the

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Duke Committee has or will incur approximately $150,000.00 in expenses to implement alternate methods and change existing advertising programs.

22. As a result of Bell's termination of the "900" number services, David Duke and the Duke Committee estimates that it will be damaged by the loss of approximately Two Hundred Fifty Thousand and No/100 ($250,000.00) Dollars in future revenue.

COUNT I

23. Defendant, South Central Bell, Inc., is liable to Plaintiffs for damages caused by their termination of the "900" number services in violation of Civil Code Article 1994.

24. Defendant, South Central Bell, Inc., through its actions in privding the "900" number services led Plaintiff into believing that Bell would continue to provide the services throughout the campaign.

25. Plaintiffs relied upon South Central Bell's actions and representations to the detriment of plaintiffs in violation of Louisiana Civil Code Article 1967. As a result thereof, plaintiffs have suffered damages accordingly.

WHEREFORE, plaintiff prays that:

(a) Judgment be granted to Plaintiffs and against

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Defendant for an amount equal to Plaintiffs' damages and future damages times compound interest at the prime or judgment rate applicable at the time of such damages; and

(b) Plaintiffs be awarded reasonable attorney's fees and cost of suit; and

(c) Plaintiffs be granted such other relief as the court deems just, including consequential damages.

COUNT II

26. Upon information and belief, Defendant, South Central Bell, Inc., is in possession of funds collected for the Duke Committee 900 number service. Plaintiffs have made several amicable demands for the funds but Bell has failed to remit the funds to Plaintiffs. This amounts to an unlawful conversion of Plaintiff's funds by Defendant.

WHEREFORE, Plaintiffs pray that:

(a) Judgment be granted to Plaintiffs and against Defendant ordering defendant to turn over any and all funds in their possession, custody or control collected from customers for use of the Duke Committee 900 number; and

(b) Plaintiffs be awarded reasonable attorney's fees and cost of suit; and

(c) Plaintiffs be granted such other relief as the court deems just, including consequential damages.

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COUNT III

27. Defendant, Bell, has violated the Sherman Anti-Trust Act [15 U.S.C. §1 through §7].

28. Bell has willfully and intentionally discriminated against Plaintiffs by refusing to provide service to Plaintiffs which a Bell affiliated company provides to customers similarly situated. Specifically a Bell affiliated company terminated a "900" number service for a political candidate in Texas but reinstated the service at the request of the candidate through the duration of the campaign.

29. Bell provides 900 number services to customers whose "information service" is comprised of "soft pornography" and "astrology predictions", however Bell will not provide the same services to Plaintiffs. Bell's refusal to deal with Plaintiffs by rejecting the same terms and conditions afforded to other parties is a violation of 15 U.S.C. §1.

30. It is against public policy for Bell to provide "900" services for dissemination of pornography while denying the "900" service for the dissemination of political information.

31. In reliance of Bell's having provided the "900" service to Plaintiffs, Plaintiffs have incurred expenses of advertising and promoting the 900 number statewide, showing

of the 30 minute program commences August 27, 1990 and will continue through the week. Upon recently being informed that the "900" services were being discontinued, Plaintiff was unable to cancel the showing and advertising in seven cities: Shreveport, Monroe, Alexandria, Lake Charles, Lafayette, Baton Rouge and New Orleans. Therefore, in order to recoup part of its losses, Plaintiff has had to purchase 25 telephone lines from Bell at a cost of approximately Six Thousand Seven Hundred Sixty and No/100 ($6,760.00) Dollars in addition to hiring telephone operators and advertisement of the new telephone number. Additionally, it is much less efficient to use 25 telephone lines as opposed to the use of the 900 number service. By denying Plaintiffs use of its 900 number service, Bell has forced Plaintiffs to use Bell services and equipment. Bell's action is in violation of 15 U.S.C. §2.

WHEREFORE, Plaintiffs pray that:

(a) Judgment be granted to Plaintiffs and against Defendant for an amount equal to threefold Plaintiffs' damages times compound interest at the prime or judgment rate applicable at the time of such damages; and

(b) Plaintiffs be awarded reasonable attorney's fees and cost of suit; and

(c) Plaintiffs be granted such other relief as the

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court deems just, including consequential damages.

DEMAND FOR JUDGMENT

WHEREFORE, Plaintiffs demand judgment against Defendant for damages and restitution in an amount equal to at least ONE MILLION TWO HUNDRED THOUSAND ($1,200,000.00) DOLLARS, such amount to be shown exactly by proof at trial, interest as allowed by law, reasonable attorney's fees, costs; and any further relief that the Court deems appropriate and just. Plaintiffs further demand trial by jury on all Counts.

Respectfully submitted,

WALLACE, McPHERSON & KENNEDY

PHILLIP R. WALLACE
201 Evans Road, Suite 401
New Orleans, Louisiana 70123
Telephone: (504) 734-5100
Bar Roll No. 13198

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U. S. SENATE COMMITTEE	*	CIVIL ACTION
VERSUS	*	NO.
SOUTH CENTRAL BELL	*	
	*	MAGISTRATE

* *

AFFIDAVIT OF VERIFICATION

STATE OF LOUISIANA

PARISH OF JEFFERSON

BEFORE ME, the undersigned authority, personally came and appeared:

PAUL ALLEN,

who, after being duly sworn did depose and state that he is the Assistant Treasurer of David Duke for U. S. Senate Committee, Plaintiff in the above referenced matter, and that all of the allegations contained in the Complaint are true and correct to the best of his knowledge, information and belief.

PAUL ALLEN, Assistant Treasurer

SWORN TO AND SUBSCRIBED
BEFORE ME, This 23rd
day of August, 1990.

NOTARY PUBLIC

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TV SCHEDULE FOR 30 MINUTE PROGRAM, ALL MARKETS — AUGUST, 1990

CITY:	STATION:			TIME:
ALEXANDRIA				
THURSDAY	AUGUST 30TH.			
	CHANNEL	31	KLAX	6:30PM-7:00PM
SATURDAY	SEPTEMBER 1			
	CHANNEL	5	KALB	5:00PM-5:30PM
	CHANNEL	31	KLAX	10:30PM-11:00PM
BATON ROUGE				
WEDNESDAY	AUGUST 29TH.			
	CHANNEL	2	WBRZ	6:30PM-7:00PM
THURSDAY	AUGUST 30TH.			
	CHANNEL	9	WAFB	10:35PM-11:05PM
LAFAYETTE				
TUESDAY	AUGUST 28TH.			
	CHANNEL	3	KATC	10:30PM-11:00PM
WEDNESDAY	AUGUST 29			
	CHANNEL	15	KADN	9:00PM-9:30PM
SATURDAY	SEPTEMBER 1			
	CHANNEL	3	KATC	6:30PM-7:00PM
LAKE CHARLES				
TUESDAY,	AUGUST 28TH.			
	CHANNEL	7	KPLC	6:30PM-7:00PM
WEDNESDAY	AUGUST 29TH.			
	CHANNEL	29	KVHP	10:30PM-11:00PM
SUNDAY	SEPTEMBER 2ND.			
	CHANNEL	7	KPLC	10:30PM-11:00PM
MONROE				
MONDAY.	AUGUST 27TH.			
	CHANNEL	10	KTVE	10:30PM-11:00PM
TUESDAY,	AUGUST 28TH.			
	CHANNEL	14	KARD	6:30PM-7:00PM
WEDNESDAY	AUGUST 29TH.			
	CHANNEL	8	KNOE	10:30PM-11:00PM
NEW ORLEANS				
WEDNESDAY	AUGUST 29TH.			
	CHANNEL	6	WDSU	6:30PM-7:00PM
	CHANNEL	26	WGNO	11:00PM-11:30PM
THURSDAY	AUGUST 30TH.			
	CHANNEL	6	WDSU	6:30PM-7:00PM
	CHANNEL	6	WDSU	12:30AM-1:00AM (FRIDAY MORNING)
SHREVEPORT				
MONDAY.	AUGUST 27TH.			
	CHANNEL	6	KTAL	7:00PM-7:30PM
TUESDAY	AUGUST 28TH.			
	CHANNEL	33	KMSS	9:00PM-9:30PM
	CHANNEL	3	KTBS	12:00M-12:30AM

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EXHIBIT "A"

EXHIBIT "G"

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January 30, 1991

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Re: David Duke and David Duke
For U.S. Senate Committee v.
South Central Bell, Inc. et al
No. 90-3088 Sec. "B"

Gentlemen.

Enclosed to each of you are copies of the Notice of Hearing, Motion for Stay Pursuant to Doctrine of Primary Jurisdiction Pending Resolution of Issues by the Federal Election Commission, Memorandum in Support of Motion for Stay and the Ex Parte Motion for Extension of Time in Which to File Responsive Pleadings we have filed this date on behalf of MCI Telecommunications Corporation

Very truly yours,

M. Lizabeth Talbott

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MLT/lsm
Enclosures

bps Also enclosed is a copy of the Answer filed by South Central Bell

bcc: John Fraser, Esq (w/enc.)
Marc J. Scheineson, Esq (w/enc)
Tiane Sommer, Esq (w/enc)
Winifred D Simpson, Esq. (w/enc)

UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE	*	CIVIL ACTION
	*	NO. 90-3088
VERSUS	*	SECTION "B"
SOUTH CENTRAL BELL, INC., IRIS ENTERPRISES, INC., D/B/A THE FOURTH MEDIA AND MCI TELECOMMUNICATIONS, INC.	*	MAGISTRATE (2)

* * * * * * * *

16. 11

MOTION FOR STAY PURSUANT TO DOCTRINE OF PRIMARY JURISDICTION PENDING RESOLUTION OF ISSUES BY THE FEDERAL ELECTION COMMISSION

Now, through undersigned counsel, comes MCI Telecommunications Corporation ("MCI"), named defendant herein, and moves the Court for the entry of an order staying the instant litigation in its entirety pursuant to the doctrine of primary jurisdiction, pending a decision by the Federal Election Commission on issues integrally related to the ultimate resolution of this lawsuit.

In support of this motion, MCI avers that application of the doctrine of primary jurisdiction mandates the issuance of a stay for the reason that plaintiffs' pleadings call upon the Court to decide whether MCI's refusal to deliver certain disputed funds to the plaintiffs constitutes an "unlawful conversion" of those funds. *See*

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Amended Complaint, Count IX. The question of whether plaintiffs are entitled to those funds, however, falls squarely within the primary jurisdiction of the Federal Election Commission ("FEC" or "Commission") and is presently pending before it.

Prior to being named as a defendant in the captioned matter, MCI placed the disputed funds in an escrow account and requested an Advisory Opinion from the FEC, pursuant to the procedure authorized by Section 437f of the Federal Election Campaign Act, 2 U.S.C. Section 431, et. seq. That Advisory Opinion Request asks the Commission to determine the proper disposition of the funds MCI holds in escrow. The question is one which falls within the specialized expertise of that agency. *See:* MCI's Request for Advisory Opinion, Exhibit 2 to the memorandum in support of this motion. The doctrine of primary jurisdiction compels a finding that the Commission, and not this Court, should decide the question of disposition of those funds.

MCI additionally submits that the decision rendered by the Commission may also provide this Court with guidance which would be helpful to the ultimate resolution of other matters raised by plaintiffs' pleadings. Further, in view of the fact that the question is presently pending before the FEC, MCI avers that a stay will not unduly delay the progress of this litigation.

For these reasons, and for the reasons more fully set forth in the Memorandum in Support of this motion, a copy of which is attached hereto and made a part hereof, MCI submits that its Motion is due to be granted and that an Order should be issued staying this

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litigation in its entirety, pending decision by the Federal Election Commission on MCI's Request for an Advisory Opinion.

Respectfully submitted,

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Attorneys for MCI
Telecommunications Corporation

CERTIFICATE OF SERVICE

I hereby certify that on this 30th day of June, 1991, a copy of the above pleading has been served on each other party to this action by delivering same by hand to his, her or its counsel of record

M. Lizabeth Talbott
OF LAMOTHE & HAMILTON

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE	*	CIVIL ACTION
	*	NO. 90-3088
VERSUS	*	SECTION "B"
SOUTH CENTRAL BELL, INC., IRIS ENTERPRISES, INC., D/B/A THE FOURTH MEDIA AND MCI TELECOMMUNICATIONS, INC.	*	MAGISTRATE (2)

* * * * * * * *

MEMORANDUM IN SUPPORT OF MOTION FOR STAY PURSUANT TO DOCTRINE OF PRIMARY JURISDICTION PENDING RESOLUTION OF ISSUES BY FEDERAL ELECTION COMMISSION

Now, through undersigned counsel, comes MCI Telecommunications Corporation ("MCI") and respectfully submits this Memorandum in Support of its Motion to Stay the instant litigation pending decision by the Federal Election Commission on issues integrally related to resolution and disposition of this lawsuit. Application of the doctrine of primary jurisdiction mandates the issuance of a stay.

General Background

Plaintiffs David Duke and the David Duke for Senate Committee (sometimes hereinafter referred to collectively as the "Committee" or

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the "Duke Committee") initially filed this litigation in August, 1990 against South Central Bell Telephone Company ("Bell" or "SCB"). The suit arises from the Duke Committee's attempt to obtain 900 telephone service "[i]n order to inform the Louisiana electorate of the issues and positions held by Mr. Duke and as a means of raising revenue." Original Complaint, ¶ 8; *see also* Amended Complaint, ¶ 13. Duke sued SCB when it refused to provide, or to continue to provide,[1] local billing and collection services in connection with the 900 service the Duke campaign had established. Plaintiffs sought, *inter alia*, damages for the allegedly wrongful termination of that service, payment of the funds Bell had collected, and a Temporary Restraining Order requiring Bell to reinstate the billing and collection services.

Bell answered and opposed the Temporary Restraining Order and urged, among other things, that MCI, the common carrier who provided transmission for the 900 service, and Iris Enterprises, Inc. d/b/a Fourth Media, ("Fourth Media"), the entity with whom Duke contracted for the service, were indispensable parties.

MCI received word of the dispute and informal notice that the lawsuit had been filed. Additionally, SCB notified MCI that it was terminating its local billing and collection procedures, and the Duke Committee demanded that MCI pay to it any funds in MCI's possession. MCI determined that, as structured, the Duke Committee's 900 service fund raising could be in violation of the

[1]MCI does not purport to speak for SCB here Bell's position with respect to its policy concerning collection services for political campaigns, as well as its explanation as to how those services came to be provided initially in this instance, are described in the Answers filed by Bell in this matter

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Federal Election Campaign Act, 2 U.S.C. § 431 *et seq* ("FECA").[2]

Specifically, as more fully discussed, *infra*, if the receipt of funds by the Duke Committee violated FECA, MCI was concerned that all or a portion of the funds so received could be deemed by law to be a corporate campaign contribution by MCI. Corporate campaign contributions or expenditures are prohibited by FECA[3] and violators are subject to civil and criminal penalties.[4] *See also* Ex. 2 for a more detailed explanation of how, under certain circumstances, providing 900 service to a federal candidate could constitute an illegal "contribution" or "expenditure."

On September 17, 1990, MCI sent a letter to both Fourth Media and the Duke Committee advising that MCI would require written "certification . . . that Fourth Media is in compliance with all Federal Election Campaign Act requirements in regard to 900 Service used by the Duke campaign." The letter specifically advised that "until such a certification is received, MCI cannot forward funds to Fourth Media from 900 Service utilized by the Duke campaign." A copy of that letter is attached hereto as Exhibit 1.

On or about September 21, 1990, South Central Bell transmitted to MCI funds attributable to Duke's 900 service, pursuant to the standing MCI-South Central Bell billing and collections agreement.[5] Concerned that distribution of those funds to Fourth Media could

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[2]In its Memorandum in Opposition to the Temporary Restraining Order, Bell expressed similar concerns. It argued that, if it was required to reinstate the service, it could be in violation of FECA *See* pp 11-13

[3]2 U.S.C § 441b; 11 CFR § 114.2(b)

[4]2 U.S.C. §§ 437g(a)(6)(A), 437g(d)(1)

[5]A more detailed description of the contractual billing and collection agreements is contained in the MCI Advisory Opinion Request *See* Ex 2

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constitute a violation of the FECA by MCI, MCI placed the funds in escrow and promptly filed an Advisory Opinion Request (sometimes hereinafter referred to as "AOR") with the Federal Election Commission ("FEC" or "Commission"), under the procedure set forth in 2 U.S.C. § 437f and 11 CFR § 112. A copy of that AOR is attached hereto as Exhibit 2.

MCI's October 29, 1990 Advisory Opinion Request sets forth in detail the factual and legal basis surrounding the Duke Committee's 900 service. MCI explained that:

> MCI now holds a quantity of funds in a segregated account collected from callers for the benefit of a service provider. Certain formalities required by the Commission to prevent a service provider from advancing corporate funds to a political committee in connection with a Federal election, have allegedly not been maintained by the service provider or the political committee. MCI now requests the opinion of the Commission concerning its proper disposition of funds held pursuant to its 900 service

Ex. 2, p. 1. The FEC later requested additional documents and clarification of certain facts from MCI, which MCI is now in the process of providing. *See* November 21, 1990 letter from FEC to Mr. Scheineson and December 3, 1990 reply to FEC from Mr. Scheineson. Copies are attached hereto *in globo* as Exhibit 3.

MCI's AOR remains open and pending before the Commission.

On January 3, 1991 plaintiffs amended their complaint to name MCI and Fourth Media as additional defendants. With respect to

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MCI, the plaintiffs assert in Count IX that MCI's failure to remit the funds in its possession to plaintiffs constitutes an "unlawful conversion" of their funds.[6] This accusation refers to the funds MCI has placed in an escrow account pending issuance of the FEC advisory opinion.

As alleged by the Committee, the gravamen of the remainder of the complaint is that the defendants breached an alleged obligation to provide 900 telephone service, and/or breached an obligation to provide billing and collection for that 900 service. Plaintiffs additionally allege that the defendants are liable under a quasi-contract theory of detrimental reliance and/or negligent misrepresentation. As to all of these theories, as to all defendants, plaintiffs seek damages, including consequential damages, for the alleged breach.

There are a number of defenses to these allegations, and by bringing this motion MCI does not admit the factual allegations of the complaint or waive any of its available defenses.[7] For these purposes, however, the most relevant defense is that the Duke Committee is attempting to collect damages for an (alleged) breach of an (alleged) contract which, had it been performed, could have

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[6] A similar complaint is lodged against Bell in Count II, however it is couched in less strident terms Bell denies possession of any funds *See* SCB's Answer to Amended Complaint, ¶ XXVIII, p.5

[7] The requested damages are as suspect as the causes of action For example, although Counts IV, VI, and VIII clearly allege that Louisiana law has been breached (and plaintiffs would presumably argue that Louisiana law is applicable to Counts V and VII as well), plaintiffs seek damages in an amount equal to "threefold" their actual damages Assuming *arguendo* that Louisiana law applies, it contains absolutely no authority for the award of punitive or treble damages under the facts alleged

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resulted in a violation of FECA by some or all of the parties to this litigation.

Thus, Duke's suit is dependent for its vitality on enforcement of the alleged agreement to provide 900 telephone service The Committee seeks damages - a type of enforcement - for breach of that agreement and the possession of funds it believes it is entitled to pursuant to that alleged agreement However, if that agreement was not properly structured so that the 900 service conformed to the intricate requirements of FECA, and the Commission's rules and regulations issued pursuant thereto, MCI (and presumably the other defendants as well), has a defense to the alleged breach Specifically, Louisiana law will not permit enforcement of an obligation when such enforcement "would produce a result prohibited by law" *See* Civil Code Article 1968 Federal law may prohibit enforcement as well

The plaintiffs' lawsuit directly calls upon the Court to decide what MCI should do with the escrowed funds More broadly, because the plaintiffs' causes of action are dependent upon the legality of the alleged contract, the Court must decide whether the 900 service structured by the Duke Committee was in compliance with the Federal Election Campaign Act. The FEC, rather than the Court, should decide those questions.

Under well established principles of primary jurisdiction, the FEC should decide what MCI should do with the money. This Court should defer all further action in this litigation pending resolution of that question by the FEC. The decision reached by that agency could

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well be determinative of whether the plaintiffs are entitled to any of the relief they seek against any of the defendants

The Doctrine Of Primary Jurisdiction

The doctrine of primary jurisdiction is well-established in the law. It

> operates to reconcile the functions of administrative agencies with the judicial function of the courts *Mississippi Power & Light Company v United Gas Pipe Line Co*, 532 F.2d 412, 417 (5th Cir 1976) The doctrine applies where the enforcement of a claim requires resolution of issues under a regulatory scheme and where Congress has placed the responsibility for developing that regulatory scheme within the special competence of an administrative body *United States v Western Pacific*, 352 U.S. 59, 63-64, 77 S.Ct. 161, 164-65 (1956). The doctrine is supported by the dual policies of obtaining uniformity in the regulation of a business and of obtaining access to specialized knowledge of agencies

Shinault v American Airlines, Inc, 738 F.Supp. 193, 199 (S D Miss 1990)

The doctrine permits the courts to obtain the benefit of an administrative agency's expertise in aid of resolution of a dispute which ultimately is within the province of the judiciary to decide When invoking the doctrine, a court is to stay the litigation pending

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decision by the agency.[8] Recognition of an agency's primary jurisdiction thereby fosters judicial economy as well as uniformity in the interpretation of statutes administered by an agency.

> The judge-made doctrine of primary jurisdiction is "concerned with promoting the proper relationships between the courts and administrative agencies charged with particular regulatory duties" It applies where a claim is "originally cognizable in the courts," but where "enforcement of the claim requires the resolution of issues which, under a regulatory scheme, have been placed within the special competence of an administrative body; in such a case the judicial process is suspended pending referral of such issue to the administrative body for its views." Application of the doctrine is particularly appropriate where uniformity of certain types of administrative decisions is desirable, or where there is a need for the "expert and specialized knowledge of the agencies."

Avoyelles Sportsmen's League, Inc v Marsh, 715 F.2d 897, 919 (5th Cir 1983); emphasis supplied; citations to *United States v Western Pacific, supra*, omitted.

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[8] Courts refer to a "stay" in various ways *Avoyelles Sportsman's League, infra* ("in such a case the judicial process is suspended") *J M Huber Corporation v Denman*, 367 F 2d 104, 121 (5th Cir 1966)("Specifically, the District Court should defer further action pending invocation by the parties of a ruling by the FPC"), *Penny v Southwestern Bell Telephone Co*, 906 F.2d 183, 189 (5th Cir 1990)("[W]e vacate the dismissal and remand to the district court to hold it in abeyance until the PUC has had reasonable time to make a determination . ") In those cases the entire litigation was stayed pending decision by the administrative agency

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It is well-established that the regulatory powers conferred upon the FEC by Congress are particularly broad; that uniformity of interpretation of the Act is a result desired by Congress; and that great deference is to be accorded to the Commission.

The FEC has "extensive rulemaking and adjudicative powers." *Buckley v Valeo*, 424 U.S. 1, 110, 96 S Ct. 612, 678, 46 L.Ed.2d 659 (1976) (*per curium*). Under section 437d(a)(8), it is empowered to make such rules "as are necessary to carry out the provisions of the Act." *Id* The FEC is authorized also to "formulate general policy with respect to the administration of the Act " 2 U.S.C. § 437c(b) *Faucher v Federal Election Commission*, 708 F Supp. 9, 12 (D.C.D.Me 1989) Simply put:

> The FEC is the agency of the United States government empowered with the exclusive and primary jurisdiction with respect to the administration, interpretation and civil enforcement of the [Federal Election Campaign] Act. 2 U.S C. §§ 437c(b)(1), 437 d(a) and 437g

Federal Election Commission v American International Demographic Services, Inc, 629 F. Supp 317, 319 (E.D.Va. 1986); emphasis supplied. Deference to the primary jurisdiction of the FEC is appropriate in this matter.[9]

This Litigation Should Be Stayed Pending Decision By The FEC On MCI's Request For Advisory Opinion

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[9]For a discussion of the difference between exclusive jurisdiction and primary jurisdiction, *see Gulf Oil Corp v Tenneco, Inc*, 608 F Supp 1493 (E D.La 1985) and *Penny v Southwestern Bell Telephone Co*, *supra*, 906 F.2d 183 (5th Cir 1990)

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> Thus, the primary jurisdiction doctrine applies whenever resolution of a *dispute*, which is originally cognizable in the courts, requires initial resolution of *issues* that have been placed by a regulatory scheme within the special competence of an administrative body. *United States v Western Pacific RR Co*, 352 W.S. 59, 63-64, 77 S.Ct. 161, 164-65, (1956).

Gulf Oil Corporation v Tenneco, Inc, 608 F. Supp. 1493, 1498 (E.D.La. 1985); emphasis in original.

In this instance, there can be no doubt that certain of the key issues presented here are within the special competence of the Federal Election Commission. As explained in MCI's AOR, the Commission has recently reviewed the use of 900 Service by political campaign committees in two prior Advisory Opinions. [A.O 1988-28 [¶ 5436] (August 8, 1988) and A.O. 1990-1 [¶ 5980] (March 1, 1990)]. A third opinion was issued after MCI's AOR was filed A.O. 1990-14 (December 19, 1990).

In its first opinion, the Commission stated that use of the AT&T 900 Service by presidential campaign committees and national political parties would constitute illegal corporate contributions by the service provider, Teleline [10] A O 1988-28. A copy of that Advisory Opinion is attached hereto as Exhibit 4. That decision was based on the fact that Teleline intended to absorb all the up-front costs of AT&T tariffs and other minimum charges owed to AT&T for the 900 Service. The Commission found that Teleline's agreement to

[10] In these various opinions, the term "service provider" or "telephone service bureau" refers to an entity such as Fourth Media

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"front" those costs for the political campaign fell within the definition of "contribution or expenditure," and thus would be deemed prohibited under the Act. *See* Ex 4.

The second Advisory Opinion found that a service provider, Digital Corrections Corporation ("DCC"), could provide 900 Service to candidates and political committees with the proceeds constituting contributions if it required an up-front deposit and withheld some of the proceeds to ensure that it did not finance the operation. *See* A O 1990-1 [¶ 5980] (March 1, 1990), a copy of which is attached hereto as Ex. 5. The Commission enumerated a list of specific, detailed requirements that had to be met in order for the service provider to ensure that it did not violate the Act s prohibitions against corporate contributions or expenditures. The opinion also referenced the detailed disclosure and reporting requirements that the federal candidate must follow and suggested methods to ensure compliance with that aspect of the law as well

The Commission's most recent opinion on the subject of the use of 900 service in connection with political campaigns was issued on December 19, 1990 to AT&T. A O 1990-14 AT&T asked the Commission's advice with respect to the obligations of a common carrier *viz a viz* the federal election laws The Commission's decision reveals that common carriers who transmit 900 service in connection with a political campaign will be subject to scrutiny under the Act. A copy of that Advisory Opinion is attached hereto as Exhibit 6.

The Commission noted that it was "concerned that AT&T could, under some circumstances, be implicated in making an unlawful

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advance of corporate funds to a political committee." Ex. 6, p.8. This could occur, for example, if AT&T were to remit "substantial" sums to the service provider before the charge was actually paid by the person who placed the call. The Commission noted that if an "adverse event" then occurred in the campaign, and a large number of callers refused to pay the charge, AT&T's remittance to the service provider of sums not actually contributed by an eligible caller could be deemed an illegal corporate contribution by AT&T.

When MCI found itself in the possession of funds that, if provided to Fourth Media/Duke, created the possibility that MCI would run afoul of FECA, MCI immediately asked the Commission what it should do with the money. The issues presented to the FEC in the pending advisory opinion are stated as follows:

> 1) In light of recent Advisory Opinions rendered to service providers by the Commission with respect to the use of 900 Service by political campaign committees, MCI seeks the Commission's opinion whether payment of 900 Service funds by MCI to Fourth Media, and ultimately to the Duke Committee, constitutes a violation of the Federal Election Campaign Act of 1971 by MCI under the factual circumstances described above
>
> 2) If such payment constitutes a violation of the Act, MCI seeks the Commission's opinion concerning the proper disposition of the funds.

Ex. 2, p. 5. One of the issues presented in this lawsuit - whether Duke is entitled to the funds MCI is holding in escrow - is thus now pending before the FEC for decision.

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The Commission is the agency charged with the responsibility for administration and interpretation of the Act and it is best qualified to decide what should happen to the money. *See*, for example, A.O. 1984-52 [¶ 5797] (November 30, 1984) in which the FEC decided what a political candidate should do with contributions that had been determined to be illegal

Given the complicated factual and contractual circumstances outlined in MCI's AOR, it is difficult to predict what the Commission will decide. The point is, however, that the Court does not have to guess as to what the Commission might do. The Court should let the Commission decide and use the FEC's decision to aid in its ultimate resolution of Count IX of the complaint accusing MCI of tortious conversion of the funds.

> Considerations of uniformity in the application of the law, efficient use of judicial resources, and appropriate deference to Congress' mandate to the FEC combine to lead us here to invoke the equitable doctrine of primary jurisdiction and stay our hand until the FEC has had an opportunity to speak to this question. **Our limited review function is not rationally exercised by attempting to predict how the FEC would resolve this matter, especially when the identical controversy is already pending before the Commission.**

National Republican Congressional Committee v Legi-Tech Corp, 795 F.2d 190, 193 (D.C.Cir. 1986); extensive citations omitted; emphasis supplied.

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MCI additionally submits that the question of the Duke's Committee's compliance with FECA in general should be resolved by the Commission as well. As revealed by the foregoing discussion and the MCI AOR, the FEC has tackled similar questions on three recent occasions. *See*, Exhibits 4, 5 and 6. The factual situation here presents yet another twist in this on-going process. In order to ensure consistency in the interpretation of the maze of applicable statutes and regulations, deference to the Commission is essential

Although not perhaps immediately apparent, an FEC determination of the Duke Committee's compliance, *vel non*, with the FECA will significantly aid the Court in its ultimate determination of this essentially contractual dispute If the 900 service as structured was prohibited by FECA, the alleged obligation to provide such service may never have come into existence Similarly, if the 900 service as structured was prohibited by FECA, the breach of any purported obligation to provide that service does not give rise to a cause of action for damages as a result of any breach.

It is well settled that an obligation cannot exist without a "lawful cause." Louisiana Civil Code Article 1966.[11] Louisiana Civil Code Article 1968 provides:

> The cause of an obligation is unlawful when the enforcement of the obligation would produce a result prohibited by law or against public policy.

[11] See also Civil Code Article 1971 "Parties are free to contract for any object that is lawful . . ," emphasis supplied

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If the Duke Committee was not in compliance with FECA, some or all of the parties to this litigation have a defense to the claims based on the fact that the alleged contract was "prohibited by law."[12] If it was so prohibited, some or all of the plaintiffs' claims for damages may fall. Accordingly, the court should defer to the Commission on the question of compliance, and use the FEC determination to decide the ultimate contractual or quasi-contractual questions at issue in the litigation.

Just such a result was recently mandated by the Fifth Circuit in *Penny v Southwestern Bell Telephone Company, supra*, 906 F.2d 183 (5th Cir. 1990). There, plaintiffs sued their local phone carrier, Southwestern Bell, under the Texas Deceptive Trade Practices Act. They claimed that they were charged discriminatory rates; that Southwestern Bell retaliated against them when they complained about their rates; and that misrepresentations were made to them at the time they subscribed to the service.

The District Court dismissed for failure to exhaust administrative remedies before the Texas Public Utility Commission ("PUC"). The Fifth Circuit reversed and remanded. It held that the Texas PUC did not have exclusive jurisdiction, as the trial court's dismissal of the litigation inferred Nevertheless, the Court found that deference to the PUC was appropriate under the doctrine of primary jurisdiction on the question of whether the rates were in fact discriminatory.

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[12]MCI's references to Louisiana law are in response to the allegations asserted by the plaintiffs. However, federal law may also prohibit enforcement of the alleged contract, and, as stated, MCI reserves all of its available defenses

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The Court noted that the PUC was without authority to decide the unfair trade practice claims or to provide monetary relief in the event the plaintiffs prevailed. However, the Court found that the PUC's determination of the rate question would aid the district court in determination of the other issues properly decided by the trial court, particularly the damages:

> The PUC has some obvious expertise in the area of determining whether rates have been applied discriminatorily Under the doctrine of primary jurisdiction, a trial court can reach out and touch that expertise and uniformity and then use the PUC's determination as a basis for determining whether and what types of damages are appropriate in a particular case.

Id, at 187. That is precisely what should occur here.

As part of the FEC determination concerning the disposition of the funds, the Commission has been asked to decide "whether payment of 900 Service funds by MCI to Fourth Media, and ultimately to the Duke Committee, consututes a violation of the Act by MCI under the factual circumstances described" in the AOR *See* Exhibit 2, p.5. MCI believes that the Commission's answer to that question should necessarily include some determination of whether the proposed 900 service was in compliance with FECA.

The Commission's response to MCI's pending request should be sufficiently pertinent to the other parties to this litigation as to be of material aid to the Court in the ultimate resolution of this dispute. For example, Section 437(c)(1)(A) and (B) of the Act provide that an

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advisory opinion ". . . may be relied upon by (A) any person involved in the specific transaction or activity with respect to which such advisory opinion is rendered; and (B) any person involved in any specific transaction or activity which is indistinguishable in all its material aspects from the transaction or activity with respect to which such advisory opinion is rendered "[13] Given that the parties to this litigation are the very parties described by MCI in its AOR, the pending decision should provide some guidance as to the overall resolution of this dispute.

In the event the Court has any doubt that the pending request for an advisory opinion is not sufficiently broad to provide the FEC expertise it needs to guide it through this litigation, MCI urges the Court to refer specific questions to the Commission for resolution This procedure is akin to the certification of questions from federal court to state court.[14]

Conclusion

As the foregoing discussion reveals, one of the central issues in this lawsuit -- the disposition of the funds held in escrow by MCI -- is presently pending before the Federal Election Commission. That

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[13] 437(c)(2) further provides that any person who in good faith relies upon an advisory opinion in accordance with paragraph 1, quoted above, "shall not as a result of any such act, be subject to any sanction provided by this Act or by Chapter 95 or Chapter 96 of Title 26." Given this provision, it is obvious why MCI desires to have the issue of disposition of the funds decided by the FEC It also makes the Court's need to defer to the Commission more compelling.

[14] *See, e g , Gulf Oil Corp v Tenneco, supra,* at 1494, in which the court reserved ruling on a motion to dismiss for failure to join an indispensable party, stayed the litigation, and referred five specific questions, in the form of interrogatories, to the Federal Energy Regulatory Commission for resolution

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Commission is uniquely suited to decide whether Duke is or is not entitled to the funds. The doctrine of primary jurisdiction requires that the litigation be stayed pending resolution of that question by the FEC.

Further, the final resolution of this dispute turns in part on whether the 900 service, as established by the Duke Committee, is in compliance, *vel non*, with the Federal Election Campaign Act. If it is, then the alleged contract may be enforceable; if it is not, it is an illegal -- and therefore void and unenforceable -- contract.

The question thus becomes: What is the appropriate entity to determine whether the Duke Committee's 900 service was in compliance with the FECA statute -- the court or the Federal Election Commission? MCI respectfully submits that the answer is the latter. The comprehensive statutory scheme established by Congress for the regulation of federal campaigns mandates application of the doctrine of primary jurisdiction.

MCI respectfully submits that its Motion for a Stay of all proceedings is due to be granted pending a determination by the FEC of the proper disposition of the escrowed funds and of the Duke Committee's compliance with FECA.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on this 30th day of Jan., 1991, a copy of this pleading has been served on each other party to this action by delivering same by hand to his, her or its counsel of record

M. Talbott
OF LAMOTHE & HAMILTON

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September 17, 1990

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Wallace, McPherson & Kennedy, P.C.
201 Evans Road, Suite 401
New Orleans, Louisiana 70123

Winifred Simpson, Esq.
Troutman, Sanders, Lockerman & Ashmore
127 Peachtree Street, N.E.
1400 Candler Building
Atlanda, Georgia 30303-1810

Re: 900 Service

Dear Sirs & Madam:

This letter constitutes notice to both the David Duke campaign and Fourth Media that MCI will require from Fourth Media, Inc. a written certification. This certification will need to state that Fourth Media is in compliance with all Federal Election Campaign Act requirements in regard to 900 Service used by the Duke campaign. See, e.g. 2 U.S.C. §431, et seq; 11 C.F.R. Section 114 and FEC Advisory Opinion 1990-1 (previously provided). In addition, this letter constitutes notice that until such a certification is received, MCI cannot forward funds to Fourth Media from 900 Service utilized by the Duke campaign.

Please also take notice that MCI cannot forward funds to Fourth Media for a federal political campaign based on an estimated or uncertain collection rates for 900 service. MCI will not forward funds until a mechanism is worked out in compliance with FEC regulations, previously cited.

Please work with us to work out these issues.

Sincerely,

John A. Fraser

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John A. Fraser
Assistant General Counsel

EXHIBIT G

OMITTED FROM EXHIBIT G ARE 37 PAGES OF EXHIBITS TO MCI'S MEMORANDUM IN SUPPORT OF A MOTION FOR STAY BEFORE THE U.S. DISTRICT COURT. (MCI HAD LABELLED THEM AS EXHIBITS 2 - 6 FOR THE COURT.) THESE PAGES ARE NOT CIRCULATED BECAUSE THEY CONTAIN PREVIOUS CORRESPONDENCE BETWEEN MCI AND OGC ALREADY INCLUDED IN THIS PACKAGE AND COPIES OF ADVISORY OPINIONS 1988-28, 1990-1, AND 1990-14.

UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE VERSUS SOUTH CENTRAL BELL, INC., IRIS ENTERPRISES, INC., D/B/A THE FOURTH MEDIA AND MCI TELECOMMUNICATIONS, INC.	*	CIVIL ACTION NO. 90-3088 SECTION "B" MAGISTRATE (2)

NOTICE OF HEARING

PLEASE TAKE NOTICE that the defendant MCI Telecommunications Corporation, through undersigned counsel, will bring on for hearing its Motion for Stay based on the doctrine of primary jurisdiction, before the Honorable Frederick J. R. Heebe, United States District Court Judge, at 10:00 a m on Wednesday, February, 20, 1991, or as soon thereafter as counsel may be heard

Dated, this 29th day of January, 1990

Respectfully submitted,

M Elizabeth Talbott

M. Elizabeth Talbott, T.A.
Bar No. 12630
Galen S. Brown
Bar No. 3556
LAMOTHE, HAMILTON & ODOM
Pan American Life Center
601 Poydras Street, Suite 2750
New Orleans, Louisiana 70130
Telephone (504) 566-1805

Attorneys for MCI Telecommunications Corporation

CERTIFICATE OF SERVICE

I hereby certify that on this 30th day of Jan, 19 91, a copy of this pleading has been served on each other party to this action by delivering same by hand to his, her or its counsel of record

M Talbott

OF LAMOTHE & HAMILTON

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE	•	CIVIL ACTION
VERSUS	•	NO. 90-3088
SOUTH CENTRAL BELL, INC., IRIS ENTERPRISES, INC., D/B/A THE FOURTH MEDIA AND MCI TELECOMMUNICATIONS, INC.	•	SECTION "B"
	•	MAGISTRATE (2)

EX PARTE MOTION FOR EXTENSION OF TIME IN WHICH TO FILE RESPONSIVE PLEADINGS

Now, through undersigned counsel, comes MCI Telecommunications Corporation ("MCI") and moves the Court for an Extension of twenty days, or until February 19, 1991, within which to file responsive pleadings in the captioned matter.

Pursuant to Uniform Local Rule 2.15E, MCI certifies that it has not previously requested an extension of time in this litigation and that plaintiffs have not filed an objection to the granting of such an extension.

Respectfully submitted,

M. Lizabeth Talbott

M. Lizabeth Talbott, T.A.
Bar No. 12630
Galen S. Brown
Bar No. 3556
LAMOTHE, HAMILTON & ODOM
Pan American Life Center
601 Poydras Street, Suite 2750
New Orleans, Louisiana 70130
Telephone: (504) 566-1805

Attorneys for MCI Telecommunications Corporation

CERTIFICATE OF SERVICE

I hereby certify that on this 30th day of Jan., 1991, a copy of this pleading has been served on each other party to this action by delivering same by hand to his, her or its counsel of record.

M. Talbott

OF LAMOTHE & HAMILTON

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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE AND DAVID DUKE FOR U.S. SENATE COMMITTEE VERSUS SOUTH CENTRAL BELL, INC., IRIS ENTERPRISES, INC., D/B/A THE FOURTH MEDIA AND MCI TELECOMMUNICATIONS, INC.	•	CIVIL ACTION NO. 90-3088 SECTION "B" MAGISTRATE (2)

ORDER

Considering the above and foregoing ex parte motion for extension of time in which to file responsive pleadings, it is hereby

ORDERED that MCI Telecommunications Corporation is hereby granted an extension of twenty days, or until and including February 19, 1991, in which to file responsive pleadings.

New Orleans, Louisiana, this _____ day of January, 1991.

_____

District Judge

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EXHIBIT "H"

UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF LOUISIANA

DAVID DUKE and DAVID DUKE FOR U.S. SENATE COMMITTEE	*	CIVIL ACTION
	*	NO. 90-3088
VERSUS	*	SECTION "B"
SOUTH CENTRAL BELL		
* * * * * * * * * * * *		MAG. 2

SOUTH CENTRAL BELL'S ANSWER TO AMENDED COMPLAINT

NOW INTO COURT, through undersigned counsel, comes South Central Bell Telephone Company ("SCB") to answer the Amended Complaint as follows:

I.

The allegations in paragraph 1 of plaintiffs' Amended Complaint are denied for lack of knowledge and information to justify a belief therein, except SCB admits the allegations that David Duke is a citizen of the United States and domiciled in Louisiana who resides within the Eastern District of Louisiana.

II.

The allegations in paragraph 2 of plaintiffs' Amended Complaint are admitted.

III.

The allegations in paragraph 3 of plaintiffs' Amended Complaint are denied for lack of knowledge and information to justify a belief therein.

H-1

[redacted]

IV.

The allegations in paragraph 4 of plaintiffs' Amended Complaint are admitted.

V.

Due to the addition of new defendants, SCB is unable, at this time, to determine whether venue is proper. Accordingly, the allegations in paragraph 5 of plaintiffs' Amended Complaint are denied for lack of knowledge and information to justify a belief therein.

VI.

The allegations in paragraph 6 of plaintiffs' Amended Complaint are admitted.

VII.

Plaintiffs' Amended Complaint does not contain a paragraph 7, therefore no response is required.

VIII.

The allegations in paragraph 8 of plaintiffs' Amended Complaint are denied for lack of knowledge and information to justify a belief therein.

IX.

The allegations in paragraph 9 are admitted.

X.

The allegations in paragraph 10 of plaintiffs' Amended Complaint are denied for lack of information to justify a belief therein.

H-2

XI.

The allegations in paragraph 11 of plaintiffs' Amended Complaint are admitted.

XII.

The allegations in paragraph 12 of plaintiffs' Amended Complaint are denied for lack of knowledge and information to justify a belief therein.

XIII.

The allegations in paragraph 13 of plaintiffs' Amended Complaint are denied for lack of knowledge and information to justify a belief therein.

XIV.

The allegations in paragraph 14 are denied, except that defendant admits that, from the standpoint of the caller, "900" numbers often operate as follows: a caller dials the "900" number and hears a previously recorded message.

XV.

The allegations in paragraph 15 of plaintiffs' Amended Complaint are denied for lack of knowledge and information to justify a belief therein.

XVI.

The allegations in paragraph 16 of plaintiffs' Amended Complaint are denied for lack of knowledge and information to justify a belief therein.

H-3

XVII.

The allegations in paragraph 17 of plaintiffs' Amended Complaint are denied for lack of knowledge and information to justify a belief therein.

XVIII.

The allegations in paragraph 18 of plaintiffs' Amended Complaint are denied for lack of knowledge and information to justify a belief therein.

XIX.

The allegations in paragraph 19 of plaintiffs' Amended Complaint are denied for lack of knowledge and information to justify a belief therein.

XX.

The allegations in paragraph 20 of plaintiffs' Amended Complaint are denied for lack of knowledge and information to justify a belief therein.

XXI.

The allegations in paragraph 21 of plaintiffs' Amended Complaint are denied for lack of knowledge and information to justify a belief therein.

XXII.

The allegations in paragraph 22 of plaintiffs' Amended Complaint are denied for lack of knowledge and information to justify a belief therein.

H-4

XXIII.

The allegations in paragraph 23 of plaintiffs' Amended Complaint are denied for lack of knowledge and information to justify a belief therein.

XXIV.

The allegations in paragraph 24 of plaintiffs' Amended Complaint are denied for lack of knowledge and information to justify a belief therein.

XXV.

The allegations in paragraph 25 of plaintiffs' Amended Complaint are denied for lack of knowledge and information to justify a belief therein.

XXVI.

The allegations in paragraph 26 of plaintiffs' Amended Complaint are denied for lack of knowledge and information to justify a belief therein.

XXVII.

The allegations in paragraph 27 of plaintiffs' Amended Complaint are denied for lack of knowledge and information to justify a belief therein.

XXVIII.

The allegations in paragraph 28 of plaintiffs' Amended Complaint are denied, however, the monies associated with any calls made to the "900" numbers assigned by Iris Enterprises, Inc. d/b/a The Fourth Media ("Fourth Media") to the David Duke Campaign, to the extent such calls have been billed by SCB, have been timely forwarded to MCI Telecommunications, Inc. ("MCI") in accordance with SCB's contract with MCI. SCB is, to the best of its

H-5

knowledge, no longer in possession of any funds associated with calls made to the "900" number(s) assigned by Fourth Media to the David Duke Campaign.

XXIX.

The allegations in paragraph 29 of plaintiffs' Amended Complaint are denied, except that SCB admits that a meeting between Messrs. Courtney and Villar and representatives of the Duke Committee took place on August 22, 1990.

XXX.

The allegations in paragraph 30 of plaintiffs' Amended Complaint are denied. Moreover, because SCB never provided "900 number services" to plaintiffs, it did not terminate those services.

XXXI.

The allegations in paragraph 31 of plaintiffs' Amended Complaint are denied.

XXXII.

In response to the allegations in paragraph 32 of plaintiffs' Amended Complaint, SCB realleges its responses to paragraphs 1 through 31 of plaintiffs' Amended Complaint.

XXXIII.

The allegations in paragraph 33 of plaintiffs' Amended Complaint are denied.

H-6

XXXIV.

The allegations in paragraph 34 of plaintiffs' Amended Complaint are denied. Further, SCB denies that it ever provided "900 number services" to the plaintiffs.

XXXV.

The allegations in paragraph 35 of plaintiffs' Amended Complaint are denied.

XXXVI.

In response to the allegations in paragraph 36 of plaintiffs' Amended Complaint, SCB realleges its responses to paragraphs 1 through 35 of plaintiffs' Amended Complaint.

XXXVII.

The allegations in paragraph 37 of plaintiffs' Amended Complaint are denied.

XXXVIII.

In response to the allegations in paragraph 38 of plaintiffs' Amended Complaint, SCB realleges its responses to paragraphs 1 through 37 of plaintiffs' Amended Complaint.

XXXIX.

The allegations in paragraph 39 of plaintiffs' Amended Complaint are denied.

XL.

The allegations in paragraph 40 of plaintiffs' Amended Complaint are denied. Further, SCB specifically denies that it is affiliated with any local exchange operating company operating in Texas.

H-7

XLI.

The allegations in paragraph 41 of plaintiffs' Amended Complaint are denied. Moreover, SCB specifically denies that it provides "900 number services."

XLII.

The allegations in paragraph 42 of plaintiffs' Amended Complaint are denied because SCB does not provide "900" telephone services and SCB further denies that any of its policies or practices is against public policy.

XLIII.

The allegations in paragraph 43 of plaintiffs' Amended Complaint are denied.

XLIV.

The allegations in paragraph 44 of plaintiffs' Amended Complaint are denied except SCB admits that, pursuant to long-standing company policy, it does not provide billing and collection services in connection with charitable or political fundraising.

XLV.

In response to the allegations in paragraph 45 of plaintiffs' Amended Complaint, SCB realleges its responses to paragraphs 1 through 44 of plaintiffs' Amended Complaint.

XLVI.

The allegations in paragraph 46 of plaintiffs' Amended Complaint do not require a response from SCB. If, however, a response is required, those allegations are denied for lack of knowledge and information to justify a belief therein.

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XLVII.

In response to the allegations in paragraph 47 of plaintiffs' Amended Complaint, SCB realleges its responses to paragraphs 1 through 46 of plaintiffs' Amended Complaint.

XLVIII.

The allegations in paragraph 48 of plaintiffs' Amended Complaint do not require a response from SCB. If, however, a response is required, those allegations are denied for lack of knowledge and information to justify a belief therein.

XLIX.

The allegations in paragraph 49 of plaintiffs' Amended Complaint do not require a response from SCB. If, however, a response is required, those allegations are denied for lack of knowledge and information to justify a belief therein.

L.

The allegations in paragraph 50 of plaintiffs' Amended Complaint do not require a response from SCB. If, however, a response is required, those allegations are denied for lack of knowledge and information to justify a belief therein.

LI.

In response to the allegations in paragraph 51 of plaintiffs' Amended Complaint, SCB realleges its responses to paragraphs 1 through 50 of plaintiffs' Amended Complaint.

LII.

The allegations in paragraph 52 of plaintiffs' Amended Complaint do not require a response from SCB. If, however, a response is required, those allegations are denied for lack of knowledge and information to justify a belief therein.

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LIII.

In response to the allegations in paragraph 53 of plaintiffs' Amended Complaint, SCB realleges its responses to paragraphs 1 through 52 of plaintiffs' Amended Complaint.

LIV.

The allegations in paragraph 54 of plaintiffs' Amended Complaint do not require a response from SCB. If, however, a response is required, those allegations are denied for lack of knowledge and information to justify a belief therein.

LV.

The allegations in paragraph 55 of plaintiffs' Amended Complaint do not require a response from SCB. If, however, a response is required, those allegations are denied for lack of knowledge and information to justify a belief therein.

LVI.

The allegations in paragraph 56 of plaintiffs' Amended Complaint do not require a response from SCB. If, however, a response is required, those allegations are denied for lack of knowledge and information to justify a belief therein.

LVII.

The allegations in paragraph 57 of plaintiffs' Amended Complaint are denied for lack of knowledge and information to justify a belief therein, except SCB admits that, pursuant to long-standing company policy, it does not provide billing and collection services in connection with charitable or political fundraising.

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LVIII.

In response to the allegations in paragraph 58 of plaintiffs' Amended Complaint, SCB realleges its responses to paragraphs 1 through 57 of plaintiffs' Amended Complaint.

LIX.

The allegations in paragraph 59 of plaintiffs' Amended Complaint do not require a response from SCB. If, however, a response is required, those allegations are denied for lack of knowledge and information to justify a belief therein.

LX.

In response to the allegations in paragraph 60 of plaintiffs' Amended Complaint, SCB realleges its responses to paragraphs 1 through 59 of plaintiffs' Amended Complaint.

LXI.

The allegations in paragraph 61 of plaintiffs' Amended Complaint are denied for lack of knowledge and information to justify a belief therein, except to admit that SCB informed plaintiffs that the Company transmitted any funds collected by it in connection with the "900" number at issue in this case to MCI.

FIRST AFFIRMATIVE DEFENSE

AND NOW, as an affirmative defense, South Central Bell asserts that plaintiffs' claims against South Central Bell should be dismissed for failure to state a cause of action upon which relief can be granted.

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SECOND AFFIRMATIVE DEFENSE

FURTHER, as to count I of the Complaint, plaintiffs have no right of action against South Central Bell as South Central Bell has no direct relationship, contractual or otherwise, with either David Duke or his election Committee with respect to the matters at issue here.

THIRD AFFIRMATIVE DEFENSE

FURTHER as to Count I of the Complaint, plaintiffs claim is either completely or partially barred due to plaintiffs' contributory negligence in failing to confirm in advance whether South Central Bell would in fact handle the billing and collection for the "900" number at issue in this lawsuit.

FOURTH AFFIRMATIVE DEFENSE

FURTHER, as to Count III of the Complaint, plaintiffs have failed to state a cause of action, as they have failed to allege any conduct that violates the antitrust laws of the United States, 15 U.S.C. §1 et seq.

FIFTH AFFIRMATIVE DEFENSE

FURTHER, as to Count III of the Complaint, plaintiffs have failed to state a cause of action, as they have failed to allege any injury to competition, which is a prerequisite to a cause of action under the Sherman Act, 15 U.S.C. §1, 2.

SIXTH AFFIRMATIVE DEFENSE

FURTHER, as to Count III of the Complaint, plaintiffs lack standing to maintain an action based on the antitrust laws of the United States.

WHEREFORE, defendant to the Amended Complaint, South Central Bell Telephone Company, prays that this answer to the

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Amended Complaint, and the affirmative defenses and matters raised herein, be deemed good and sufficient, and that, after, due proceedings are had, there be judgment rendered in favor of South Central Bell Telephone Company, dismissing the Amended Complaint, with prejudice, at the cost of David Duke and David Duke for U.S. Senate Committee; and for any other relief this Court deems just and equitable.

Respectfully submitted,

R. PATRICK VANCE (T.A.) (#13008)
EDWARD H. BERGIN (#2992)
JONES, WALKER, WAECHTER, POITEVENT,
CARRERE & DENEGRE
201 St. Charles Avenue
Place St. Charles, 49th Floor
New Orleans, Louisiana 70170-5100
Telephone: (504) 582-8000

KEITH G. LANDRY (#1783)
365 Canal Street, Suite 1870
New Orleans, Louisiana 70140

Attorneys for South Central Bell
Telephone Company

H-13

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing upon counsel of record for all parties to this proceeding, either by hand delivery or via the United States Postal Service, properly addressed and first-class postage prepaid, this 22nd day of January, 1991.

Edward H. Comyn

H-14

MCI Telecommunications Corporation
1133 19th Street NW
Washington, DC 20036
202 872 1600

EXHIBIT "I"

September 17, 1990

VIA TELECOPY

Mr. Roy Knight
Fourth Media, Inc.
BankSouth Building
Suite 1875
55 Marietta Street
Atlanta, Georgia 30303

Phillip K. Wallace, Esq.
Mr. Michael Whitehead
Wallace, McPherson & Kennedy, P.C.
201 Evans Road, Suite 401
New Orleans, Louisiana 70123

Winifred Simpson, Esq.
Troutman, Sanders, Lockerman & Ashmore
127 Peachtree Street, N.E.
1400 Candler Building
Atlanda, Georgia 30303-1810

Re: 900 Service

Dear Sirs & Madam:

This letter constitutes notice to both the David Duke campaign and Fourth Media that MCI will require from Fourth Media, Inc. a written certification. This certification will need to state that Fourth Media is in compliance with all Federal Election Campaign Act requirements in regard to 900 Service used by the Duke campaign. See, e.g. 2 U.S.C. §431, et seq; 11 C.F.R. Section 114 and FEC Advisory Opinion 1990-1 (previously provided). In addition, this letter constitutes notice that until such a certification is received, MCI cannot forward funds to Fourth Media from 900 Service utilized by the Duke campaign

Please also take notice that MCI cannot forward funds to Fourth Media for a federal political campaign based on an estimated or uncertain collection rates for 900 service. MCI will not forward funds until a mechanism is worked out in compliance with FEC regulations, previously cited.

Please work with us to work out these issues.

Sincerely,

John A. Fraser

I-1

John A. Fraser
Assistant General C...

EXHIBIT "J"

THE FOURTH MEDIA

June 19, 1990

Mr. Al Theriak
1943 East 70th Street
Shreveport, LA 71105

Dear Mr. Theriak:

As per your conversation with Roy Knight last week, here is a summary of the agreement at hand for the David Duke 900 application. The 900 number available is 1-900-226-1999 and is at the billing rate of $25.00 per call.

The Fourth Media will provide voice capture services which includes an audio tape of callers' messages. This can be sent as often as necessary depending upon volume of calls.

Summary of Factoring Agreement based on a $25.00 call:

Payable after 7 days per call and voice file -	$12.00
Payable after 90 days upon receipt of MCI settlement per call and voice file -	$5.50
TOTAL PER CALL RECORD -	$17.50

Payable after 7 days to Al Theriak per call and voice file - $1.00

Let me know if you have any questions.

Sincerely,

THE FOURTH MEDIA, INC.

Michele McGuigan
Vice President Sales Administration

J-1

June 25, 1990

FAX TRANSMISSION

TO: DEBBIE RUTLEDGE
MCI TELECOMMUNICATIONS
400 PERIMETER CENTER TERRACE, NE
ATLANTA, GA 30346
FAX: 404-668-0146 PHONE: 404-668-6281

FROM: MICHELE MCGUIGAN
THE FOURTH MEDIA
55 MARIETTA STREET, SUITE 1875
ATLANTA, GA 30303
FAX: 404-223-5830 PHONE: 404-577-5587

Debbie:

Please submit the following application change and new application for approval. Can we start getting new numbers under the new NXX's?

APPLICATION CHANGE

PHONE NUMBER: 226-1999
NEW APPLICATION NAME: David Duke
NEW PRICE: ~~$10.00~~ per call, flat rate $25.00
LITERAL: "DUKE"
APPLICATION OWNER: The Fourth Media, Inc.
SCRIPT:

This line will be an opinion polling and information line about David Duke, a senatorial candidate in Louisiana. The caller will listen to David Duke and his opinions on various issues and will have the opportunity to leave a message.

ADVERTISING:

Will be done via television and print media nationwide. Will read as follows:

CALL NOW! LEAVE YOUR OPINION ON ISSUES AFFECTING OUR STATE OF LOUISIANA. MAKE A DIFFERENCE WITH DAVID DUKE. CALL 1-900-XXX-XXXX. $10.00 PER CALL

****

J-2

000005

****NEW APPLICATION****

PROGRAM NAME: DAVID DUKE
TELEPHONE NUMBER: any NXX with the last four digits of 3853-
like 226-3853 or 990-3853
PRICE PER CALL: ~~$25.00~~ per call, flat rate $10.00
LITERAL: "DUKE"
APPLICATION OWNER: The Fourth Media, Inc.
SCRIPT:

SAME AS ABOVE

ADVERTISING:

SAME AS ABOVE

Please make these effective ASAP. Thanks!!

J-3

ate. Mon, 9 Jul 1990 13.17 est
om. 1
.. Debra Rutledge
ubject. Price Changes and New Reservation

ebbie:

lease submit the following application changes and new reservation for
pproval. Sorry about these price changes again but the sponsor keeps changing
is mind! Thanks!

*THREE PRICE CHANGES**

PHONE NUMBER: 226-1999
EW PRICE. $25.00 flat rate per call
PLICATION NAME: David Duke
FECTIVE DATE OF CHANGE QUOTED TO SPONSOR: July 18, 1990
ame application, literal, script and advertising.

PHONE NUMBER: 226-3853
EW PRICE. $10.00 flat rate per call
PLICATION NAME: David Duke
FECTIVE DATE OF CHANGE QUOTED TO SPONSOR: July 18, 1990
ame application, literal, script and advertising.

*Please let me know if you can't make the change effective on that date. Thx.
e scheduling TV spots based on the above information.**

PHONE NUMBER: 226-1206
W PRICE: $2.00 per minute, each minute
EW APPLICATION NAME: Hyde Park
EW LITERAL: "PREMIUM"
FECTIVE DATE OF CHANGE: ASAP
ame script and advertising as currently running

*NEW RESERVATION**

lease reserve the following numbers. I will forward all details later this week
t wanted to reserve the numbers as soon as possible.

226-2876 and 990-2876
(446) (998)

at's it for today.

J-4

000004

THE FOURTH MEDIA

September 17. 1990

TO: Debbie Rutledge
MCI

FROM: Anne Tierney
The Fourth Media. Inc.

RE: As requested. here are the scripts for the David Duke numbers and also the application change for 990-1010. Please call me if you have a further questions. Thank you.

APPLICATION CHANGE

APPLICATION NAME: David Duke
PHONE NUMBER: 1-900-990-1010
PRICE PER CALL: $10.00/flat rate per call
LITERAL: Duke
APPLICATION OWNER: The Fourth Media. Inc.
SCRIPT: Will follow by fax
ADVERTISING: Will follow by fax
POLLING: No
BUSY HOUR: 9:00pm
% OF DAILY TRAFFIC DURING BUSY HOUR: 30%
AVERAGE CALL DURATION: 5.0 MINUTES
CORP ID: 99977408

J-5

000007

THE FOURTH MEDIA

226-1999
Message dated July 13

This is Representative David Duke talking to you from the Louisiana State Capitol. You will be charged ten dollars ($10.00) on your phone bill for this call. If you don't want to incur these charges, hang up now.

You are vitally important to this winning campaign for the U.S. Senate. I am opposed to affirmative action. I believe in equal rights for all Americans. I believe we should require welfare recipients to work for their welfare checks. And I say no new taxes. Urge your friends to support this campaign. We need your support. Give them this number: 1-900-226-1999. We need your help. We'll send you information at the sound of the beep. Speak clearly your name, address, zip code, and telephone number. Thank you again for your continuing support.

TAG

Thank you for calling 1-900-226-DUKE. You will be charged twenty-five dollars ($25.00) for this call. Your continued support of David Duke is vital to the success of this campaign. Please spread the word and thank you again for calling.

J-6

000008

THE FOURTH MEDIA

110-1010
226-1999
Message Dated July 31

This is Representative David Duke speaking to you from the Louisiana Legislature. You will be charged ten dollars ($10.00) on your phone bill for this call. If you don't want to incur these charges, hang up now. I am winning this race for the U.S. Senate because I am opposed to the racial discrimination of affirmative action. I believe in equal rights for all Americans. I believe that a welfare recipient should work for his welfare check. And I say NO new taxes. I need your help in this Senate race. If you would like to contribute twenty-five dollars ($25.00) to this campaign, call 1-900-226-1999. That's 1-900-226-1999. Please urge your family and friends to call this number and support me. We will send you more information at the sound of the tone. Please clearly leave your name, address, zip code, and phone number. Help me stand up for you in Washington.

TAG

This is Representative David Duke speaking to you from the Louisiana Legislature. You will be charged twenty-five dollars ($25.00) on your phone bill for this call. If you do not want to incur these charges, hang up now. I am winning this race for the U.S. Senate because of your help. I appreciate your contribution very much. If you would like to contribute twenty-five dollars ($25.00) more, just call again at 1-900-226-1999. And please urge your family and friends to call and support us as well. I have no PAC money, no special interest money, no mass media support. All I'm depending on is you. I need your help. At the sound of the tone please leave your name, address, zip code, and phone number. Speak clearly and I'll be glad to send you free information. Help me stand up for you in Washington. Thank you so much for calling.

J-7

000009

(404) 577-5597 (FAX) 223-5830

THE FOURTH MEDIA

DAVID DUKE- 900 SCRIPT

This is Representative David Duke talking to from the Louisiana State Capitol. You will be charged ten dollars ($10.00) on your phone bill for this call. [redacted]

You are vitally important to this winning campaign for the U.S. Senate. I am opposed to affirmative action. I believe in equal rights for all Americans. I believe we should require well-fare recipients to work for their well-fare checks. And I say no new taxes. Urge your friends to support this campaign. We need your support. Give them this number: 1-900-226-1999. We need your help. We'll send you information at the sound of the beep. Speak clearly your name, address, zip code, and telephone number. Thank you again for your continuing support.

If you would like to further support David Duke as your representative, you may call 1-900-226-DUKE for twenty-five dollars ($25.00). That's 1-900-226-3853. Thank you again and please wait for the tone.

J-8

000010

Thank you for calling 1-900-226-DUKE. You will be charged $25.00 for this call. Your continued support of David Duke is vital to the success of this campaign. Please spread the word and thank you again for calling.

J-9

000011

DAVID DUKE 900 ADVERTISING

The David Duke 900 Opinion Line will be advertised mainly by television. Commercial spots throughout Louisiana, local talk shows, as well as television magazine programs. The advertisments will focus that this is an information line to listen to Representative David Duke talk about current issues facing the state of Louisiana. The 900 line is so that voters in Louisiana can find out who David Duke is, what he stands for, and why they should vote for him. This opinion line may be includedon postcard mailers and local speeches.

J-10

EXHIBIT "K"

BILLING AND COLLECTION SERVICES
OPERATING AGREEMENT

This Agreement ("Agreement"), dated April 17 1989 is entered into by and between MCI Telecommunications Corporation (herein referred to as "MCI"), and South Central Bell Telephone Company (herein referred to as "Telephone Company"), a subsidiary of BellSouth Corporation.

WHEREAS, Telephone Company has offered intrastate billing and collection services under state Access Service Tariffs in Telephone Company's operating territory; and Telephone Company is offering similar services for interstate billing and collection services under this Agreement; and

WHEREAS, said state tariffs give a general description of the intrastate services and establish rates for intrastate services, but there are also various services offered on an "individual case basis" ("ICB") which must be tailored to the needs of the subscriber to these services; and

WHEREAS, this Agreement gives a general description of the interstate services and establishes rates for interstate services, and allows for various services to be offered on an "Individual Case Basis" (ICB) which must be tailored to the needs of the subscriber to these services; and

WHEREAS, there are operational details and procedures which are not provided in the state tariffs; and

WHEREAS, Telephone Company will perform Billing Services under the State Tariffs as defined below and this Agreement; and

WHEREAS, MCI desires to subscribe to said services;

NOW, THEREFORE, in consideration of the terms and conditions contained herein, Telephone Company and MCI hereby covenant and mutually agree as follows:

1. Scope of This Agreement and Relationship to Other Documents

   A. This Agreement supports Section 8 of State Telephone Company Access Service Tariffs in each state in which the Telephone Company operates, (collectively, "the State Tariffs") which deal with the provision of billing and collection services ("Services") by Telephone Company to Interexchange Customers (IC's) such as MCI. It also supports all other portions of such State Tariffs and any other tariffs referenced therein in said Section 8, as they may be modified from time to time. All terms used herein which are defined in the State Tariffs shall have the same meaning herein. For such purposes, all references to "IC" in the State Tariffs shall mean MCI. This Agreement does not imply or indicate MCI's support of Telephone Company tariffs.

   B. It is expressly understood and acknowledged that the Intrastate Services are provided pursuant to and under the terms and conditions of the State Tariffs in effect from time to time. In the event of any conflict between this Agreement and the State Tariffs, the State Tariffs shall prevail. Each Party agrees to notify the other as soon as practicable in the event of such a conflict.

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C. It is also expressly understood and acknowledged that the Interstate Services are provided pursuant to and under the terms, conditions, rates, and charges as set forth in Exhibit A which is hereby made a part of this Agreement. The rates offered on an Individual Case Basis (ICB) will be negotiated separately and contracted for under individual cover.

2. Detariffing of the Services

Should it be determined by any appropriate regulatory or other authority that any or all of the Intrastate Services should no longer be offered under State Tariffs and provided that it is otherwise permissible, the Parties agree to comply with and continue this Agreement for such Intrastate Services under the terms and conditions of Exhibit A.

3. General Description of Services to be Purchased

A. MCI will purchase Bill Processing Service with Inquiry as defined below in accordance with the State Tariffs and this Agreement for six 6 years from the date hereof.

For Interstate Services, the parties agree to contact each other three months before the expiration of this Agreement to discuss continuing such Services and to negotiate the terms and conditions under which such Interstate Services will continue to be provided.

B. MCI will record, assemble, edit, and price traffic originating on its facilities (the rated messages). Bill Processing Service with

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Inquiry is a billing concept whereby MCI will pass messages to the Telephone Company that are to be billed to end users. All MCI messages that the Telephone Company bills for MCI must have an account on the Telephone Company's master file. The Telephone Company will bill and collect the Bill Processing Service traffic for MCI in accordance with this Agreement.

C. Should the Telephone Company receive the right from the appropriate regulatory bodies to impose a late payment charge on end users, it may do so; such revenue is considered part of the collection process and will be retained solely by the Telephone Company. This late payment charge may apply to interstate and intrastate end user charges.

4. Purchase of Accounts Receivable

As stated in the State Tariffs and/or Exhibit A, the Telephone Company will purchase from MCI, subject to recourse, its accounts receivable on end users who are also customers of and are billed by the Telephone Company. MCI agrees not to assign, transfer, sell, exchange, or give its accounts receivable related to the Services to any other entity or person, and any such assignment, transfer, sale, exchange, or gift is null and void. The estimated uncollectible factor for both interstate and intrastate data shall be determined in accordance with the state Tariffs and/or Exhibit A of this Agreement. The uncollectible factor for both

interstate and intrastate will be adjusted in accordance with the State Tariffs and Exhibit A as applicable. MCI may, at its option assign, transfer, sell, exchange, or give any of its accounts receivable related to the Services once the Telephone Company has written-off these accounts and exercised its right of recourse pursuant to this Agreement for those accounts.

5. Collections and Treatment

In collecting amounts due for MCI services, the Telephone Company will use its then existing collections, treatment, and (where authorized by the appropriate regulatory authority) denial of service procedures. MCI will be notified 30 days in advance of any significant changes to the presently existing procedures, including the loss or potential loss of denial of service. For those changes not initiated by Telephone Company, MCI will be notified promptly. Telephone Company will provide reports that allow MCI to monitor total adjustment amounts. Upon the loss of denial of service procedures by the Telephone Company, the provisions of this Agreement shall remain in effect while the Parties negotiate a new Agreement.

6. Operating Procedures

A. MCI and the Telephone Company are developing mutually agreeable operating procedures. When completed these procedures will be attached to this Agreement as an addendum. The following procedures have been agreed upon and the Telephone Company is currently billing for MCI under these procedures:

a. Procedures for Inquiry Service.

b. Transmission procedures.

c. Invoice format.

d. Accounts receivable settlement procedures.

e. Design and timing of accounting and management reports.

f. Payment procedures.

g. Audit procedures.

h. Uncollectible factor and true-up.

i. Initial Message estimate procedures.

j. Gift Certificate format.

The agreed upon procedures would be subject to change upon mutual agreement of MCI and Telephone Company.

B. It is understood that it is not the intent of the Parties for the Telephone Company to become involved in disputes between MCI and its customers. Consequently, the procedures for Inquiry Service shall specifically provide that at any time in the collection process, utilizing existing Telephone Company procedures, Telephone Company may remove a disputed MCI charge from a customer's bill and deduct that amount from MCI's receivables. If MCI chooses to continue to pursue the collection of that amount, it will be MCI's sole responsibility to do so. The Telephone Company shall report such adjustments to MCI monthly.

7. Taxes

A. MCI shall file to the extent required by law all returns for federal, state or local sales, use, excise, gross receipts or other taxes or tax-like fees imposed on or with respect to MCI's Services and pay or remit all such Taxes and other items to the imposing authority. All

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such taxes and other items are referred to as "Taxes". The Telephone Company shall use their information regarding tax exemptions of its customers for MCI's customers. The Telephone Company shall maintain such tax exempt information in a reasonably accurate and complete manner. In addition, the Telephone Company shall furnish MCI the information necessary for MCI to file its tax returns. Such information shall be provided to MCI in a format and on a schedule mutually agreed to by the Telephone Company and MCI.

B. MCI shall be solely responsible for determining and advising the Telephone Company of details of Taxes to be calculated and billed or collected by the Telephone Company in connection with MCI services. Telephone Company shall apply taxes to end user bills for services rendered by MCI using the same information and same procedures applicable to services rendered by Telephone Company, unless otherwise informed by MCI and mutually agreed to by the parties. The Telephone Company will not provide information on foreign state tax for non-sent paid calls that originate in a state other than the billing state. Telephone Company shall not be entitled to retain or receive from MCI any statutory fee or share of Taxes to which the person collecting such Taxes is entitled under applicable law. MCI shall give the Telephone Company reasonable notice of Tax Billing changes, and the TCC shall make a reasonable effort to implement such changes within 45 days. MCI shall hold the Telephone Company harmless from any liability arising during the 45 day period in which the Telephone Company is implementing Tax Billing changes.

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C. MCI agrees to pay and hold the Telephone Company harmless from and against any liability or loss resulting from any Taxes, penalties, interest, additions to Taxes, surcharges or other charges payable by the Telephone Company as a result of (i) MCI's delay or failure for any reason, to pay any Taxes or other such items or file any return or other information as required by law or this Agreement, (ii) the Telephone Company's compliance with this Agreement or with any determination or direction by or advice of MCI or correctly using information provided by MCI in performing any Tax-related service hereunder, or (iii), in the absence of any such direction by MCI in this Agreement or otherwise, the Telephone Company's failure to take any action with respect to any Taxes which are the subject of the Agreement, unless such inaction constitutes willful misconduct or gross negligence. Such indemnity shall be provided to the Telephone Company on an after-tax basis. If MCI disagrees that any Taxes are payable by the Telephone Company, or disagrees with an assessment of any additional Taxes, penalty, addition to Tax, surcharge or interest due by the Telephone Company as a result of the Telephone Company's performance of any obligation under this Agreement, or disagrees with a determination that an additional charge is applicable to the Telephone Company's billing to MCI for Services under this Agreement, MCI shall, at its option and expense (including, if required by law, payment or any such assessment prior to final resolution of the issue) have the right to seek administrative relief, a ruling, judicial review (original and appellate level) or other appropriate review as to the applicability of any such Taxes or additional charge or to protest any assessment and direct any legal challenge to such

assessment, but shall be liable for any Taxes or additional charge, penalty, surcharge and interest ultimately determined to be due. The Telephone Company will advise MCI of any assessment notice received from any federal, state or local jurisdiction within 10 business days of receipt by the Telephone Company Tax Department. The Telephone Company shall, when requested by MCI and at MCI's expense, cooperate or participate with MCI in any such proceeding, protest or legal challenge and may participate, at its own expense, in any such proceeding, protest or legal challenge.

8. Confidentiality and Publicity

A. All MCI business-sensitive and competitive information disclosed by MCI to the Telephone Company during the negotiation of this Agreement, as well as information generated during the performance of the Services contemplated herein are proprietary and confidential to MCI.

B. Regarding the initial signing, each party agrees that it shall not, without the prior written consent of the other party, make any news release, public announcement, or denial or confirmation of the whole or any part of their Agreement which names the other party.

C. MCI and the Telephone Company agree that this Agreement may be disclosed without prior consent to federal or state regulators of telecommunications service upon a regulator's request. The disclosing Party wil notify the other Party of regulator's request.

9. Assignment

Neither Party shall assign any right, obligation or duty, in whole or in part, or any other interest hereunder, except as provided in paragraph 4, without the written consent of the other Party which consent will not be unreasonably withheld.

10. Amendments; Waivers

This Agreement or any part thereof or any Attachments herato may be modified or additional provisions may be added by written agreement signed by or on behalf of both Parties. No such amendments, waiver, or consent to any default under this Agreement shall be effective unless the same shall be in writing and signed by or on behalf of the party against whom such amendment, waiver or consent is claimed. In addition, failure to strictly enforce any term, right or condition of this Agreement shall not be construed as a waiver of such term, right or condition.

11. Denial of Service Authorization

MCI authorizes the Telephone Company to disconnect end user services for non-payment in accordance with established Telephone Company procedures and the rules and regulations of the appropriate regulatory agencies.

12. Authorization to Conduct Business

MCI will obtain and keep current Federal, state, and local licenses or approvals that may be required to carry the traffic for which the Telephone Company is billing hereunder. Telephone Company will obtain and keep current all Federal, state and local licenses or approvals or comply

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with other such regulations as may be applicable to the Services performed by Telephone Company hereunder.

13. Notices and Demands

Except as otherwise provided under this Agreement or in the Attachments hereto, all notices, demands, or requests which may be given by one Party to the other Party shall be in writing and shall be deemed to have been duly given on the date delivered in person or deposited, postage prepaid (not to exceed three (3) business days after deposit in United States mail), in the United States Mail via Certified Mail return receipt requested, or sent by telex or cable and addressed as follows:

Telephone Company:

Jack T. Lightle
BellSouth Services Incorporated
2101 6th Avenue North (10th Floor)
Birmingham, Alabama 35203

MCI:

Scott B. Ross
MCI Telecommunications Corporation
400 Perimeter Center Terrace (Suite 400)
Atlanta, Georgia 30346

MCI Telecommunications Corporation
General Counsel
1133 19th Street Northwest
Washington DC 20036

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The above addresses may be changed by written notice given by such Party to the other Party pursuant to this Section.

14. Third-Party Beneficiaries

This Agreement shall not provide any person not a party to this Agreement with any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to this Agreement.

15. Entire Agreement

The above referenced State Tariffs and this document including attachments incorporated herein (Exhibit A and Operating Procedures) constitute the entire Agreement between MCI and Telephone Company which supersedes all prior agreements or contracts, oral or written representations, statements, negotiations, understandings, proposals and undertakings with respect to the subject matter hereof, provided, however this Agreement does not supersede the Non-Disclosure Agreement executed by the Parties on August 20, 1984.

16. Obligations Survive Termination

The Parties agree that the termination of this Agreement pursuant to any provision or section hereof, or for any other reason, shall not affect or terminate any obligation or liability incurred or assumed by either Party prior to the effective date of termination of this Agreement, and the provisions of this Agreement shall survive its termination with respect to conclusion of any unresolved matters relating to the Services performed prior to termination.

17. Severability of Provisions

Except as expressly provided in this Agreement, if any part of this Agreement is held or construed to be invalid or unenforceable the validity of any other Section of this Agreement shall remain in full force and effect to the extent permissible or appropriate in furtherance of the intent of this Agreement.

18. Term of Agreement

This Agreement shall continue in effect for the term provided in paragraph 3A preceding. Upon termination by either party certain charges as specified in this paragraph, the intrastate tariffs, and Exhibit A may be applicable. This Agreement would continue to apply to orders placed prior to this Agreement's termination throughout the remainder of the order period.

Notwithstanding anything to the contrary, MCI or the Telephone Company may cancel all services ordered under this Agreement for discretionary reasons as deemed appropriate by MCI or the Telephone Company if three (3) months notice is given to the other Party.

19. Force Majeure

Neither party shall be held liable for any delay or failure in performance of any part of this Agreement from any cause beyond its control and without its fault or negligence, such as acts of God, acts of civil or military authority, government regulations, embargoes, epidemics, war, terrorist acts, riots, insurrections, fires, explosions, earthquakes, nuclear accidents, floods, strikes or other labor difficulties, power

blackouts, volcanic action, other major environmental disturbances, unusually severe weather conditions, inability to secure products or services of other persons or transportation facilities, or acts or omissions of transportation common carriers.

20. Governing Law

Except as otherwise expressly provided in this Agreement, this Agreement shall be deemed to be a Agreement made under the laws of the State of Georgia, and the construction, interpretation and performance of this Agreement and all transactions hereunder shall be governed by the domestic law of such State.

21. Settlements Between the Telephone Company and MCI

There will be no netting of collected accounts receivable due MCI by the Telephone Company against any other amounts due the Telephone Company from MCI for bill processing charges or otherwise unless mutually agreed upon.

22. Independent Contractors

The parties declare and agree that each party is engaged in business which is independent from that of the other party and each party shall perform its obligations hereunder as an independent contractor and not as the agent, employee or servant of the other party.

Neither party nor any person furnished by such party shall be deemed employees, agents or servants of the other party or joint employees or entitled to any benefits available under the plans for such other party's employee.

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Each party has and hereby retains the right to exercise full control of and supervision over its own performance of the obligations under this Agreement and retains full control over the employment, direction, compensation and discharge of all its employees assisting in the performance of such obligations; each party will be solely responsible for all matters relating to payment of its own employees, including compliance with social security taxes, withholding taxes and all other regulations governing such matters. Each party will be responsible for its own acts and those of its own subordinates, employees, agents and subcontractors during the performance of that party's obligations hereunder; provided that this clause shall in no way limit or expand the limitations of liability and indemnities specified elsewhere in this Agreement.

Neither party shall knowingly employ any person to perform services hereunder who is at the same time a full or part-time employee of the other party.

23. Bank Errors

Where either the Telephone Company or MCI has made arrangements for a bank or other third party to remit funds due the other, the remitting party will cooperate in correcting any bank errors.

24. Most Favored Nations

Where the Telephone Company offers the same Services on the same basis and at similar volumes to other interexchange carriers, the Telephone Company agrees to offer the Services described herein to MCI on terms which are no less favorable than the terms these same Services are offered to other

interexchange carriers. MCI shall be entitled to the benefit of more favorable terms from the date they were first offered. Settlement date will be negotiated on an individual case basis at the time discovery is made.

In the event MCI desires to audit these terms, MCI will use an independent auditing firm. Should MCI dispute Telephone Company's compliance with the provision of this paragraph, MCI shall not withhold payments or unilaterally adjust payments made under this Agreement or payments of any other amounts of whatever kind owed to the Telephone Company.

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Dated as of this 17th day of April, 1989.

SOUTH CENTRAL BELL TELEPHONE COMPANY

BY: H. P. Greene, Jr.

TITLE: Vice President - Marketing

MCI TELECOMMUNICATIONS CORPORATION

BY: Jonathan Crane

TITLE: President - Southeast Division

BY: Doug Maine

TITLE: Vice President, Financial Operations

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EXHIBIT A

A.1 Billing Service

At the request of MCI, the Telephone Company with reasonable notice and reasonable effort will provide Bill Processing Service with Inquiry.

The Telephone Company will provide Billing Service in its operating territory. The minimum territory for which the Telephone Company will provide Billing Service is its state operating territory when the Telephone Company supplies the input records at MCI's request. When MCI supplies the input records, the Telephone Company will process the input records supplied by MCI as set forth in A.1.1 following.

The Telephone Company will provide Billing Service only on the condition that it purchase the accounts receivable, if any, from MCI as set forth in A.1.2 following.

The Telephone Company will not render bills under this agreement for the provision of services unrelated to the actual use of MCI for interstate or intrastate telephone services and/or delivery of telegrams, flowers, gifts, wine or other like services that MCI offers.

A.1.1 Bill Processing Service

(A) General Description

(1) Bill Processing Service

Bill Processing Service is the preparation of bills for message-billed service, mailing of statements of the amounts due for service received from MCI and the collection of deposits and monies due from the end users. Bill Processing Service includes message-billed account establishment, posting of rated messages and rate elements, rendering of bills, collection of deposits, receiving payments, maintenance of accounts, treatment of accounts, message investigation and inquiry (when ordered by MCI).

Message-billed service is a billing service as set forth in the following:

An end user account with an end user common line where individual MCI messages are posted to the account and are listed on the bill rendered to the end user. Message-billed service is also a billing service for MCI's credit card end user account without an end user common line or WATS Access Line or WATS-type service access line where individual messages or groups of messages are posted to the account and listed on the bill rendered to the end user.

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EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(A) General Description (Cont'd)

(1) Bill Processing Service (Cont'd)

Account establishment is the preparation of MCI's end user record so that a bill can be sent to that end user.

Posting of rated messages is the processing for billing of rated messages.

Rendering of bills is the preparation and mailing of statements of the amounts due from the end user for MCI message billed and services. These statements will be included as part of the regular monthly bill for local Telephone Exchange Service mailed to the end user.

Receiving payment and maintenance of accounts is the collecting of deposits and monies from end users for services furnished by MCI and maintenance of records of all transactions.

Treatment of accounts is the forwarding of notices of delinquent or unpaid end user accounts, posting of credits and adjustments, and when necessary as determined by the Telephone Company and allowed by the appropriate regulatory authority, denial of MCI Services and/or local telephone exchange services to an end user. Where local telephone exchange service access is denied, access to MCI service will also be denied.

Message investigation is that activity undertaken by the Telephone Company to secure, or attempt to secure, proper billing information for MCI messages.

Inquiry is the answering of end user questions about charges billed for MCI services and application of credits and adjustments to end user accounts and review of MCI messages removed from an end user's bill.

Marketing Messages are MCI provided information that is printed on MCI's end user's bill.

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EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(B) Undertaking of the Telephone Company

(1) Bill Processing Service

(a) When Bill Processing Service is ordered by MCI, the Telephone Company will establish and maintain end user accounts and prepare and render bills for all MCI messages and related rate elements it possesses for a state as set forth in (b) through (n) following at rates and charges as set forth in (G) following. The Telephone Company will not establish an end user account with any MCI balance due. In addition, the Telephone Company may, in accordance with Telephone Company deposit regulations, determine and collect a deposit from the end user for Telephone Company and MCI service. The Telephone Company will, when necessary in accordance with the Telephone Company deposit regulations, determine and collect the service deposit when an end user account is established or for established accounts when the first MCI message is posted to the end user account.

The Telephone Company will, when necessary in accordance with the Telephone Company deposit regulations, maintain a service deposit balance for each end user account. Service deposits will not be maintained by individual MCI accounts but will be maintained for the end user account in general. The Telephone Company will provide MCI a copy of its service deposit regulations upon request from MCI.

(b) The Telephone Company will provide Bill Processing Service for message-billed service and related rate elements which are posted to end user accounts located within the operating territory of the Telephone Company only. The Telephone Company will separate the rated MCI messages into a message-billed group for application of rates as set forth in (G) following.

(c) Rated MCI messages are required to provide Bill Processing Service. MCI will provide their rated messages to the Telephone Company. These MCI messages must be in the standard format established by the Telephone Company and delivered to the location specified by the Telephone Company.

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EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(B) Undertaking of the Telephone Company (Cont'd)

(1) Bill Processing Service (Cont'd)

(c) (Cont'd)

Such MCI provided rated message data must identify the end user account to be billed. The Telephone Company will provide to MCI the precise details of the required format. If, in the course of Telephone Company business, it is necessary to change the format, the Telephone Company will notify MCI six months prior to the change. If MCI requests their rated messages be reprocessed by the Telephone Company because of MCI error, the Telephone Company will reprocess MCI provided rated MCI messages and the appropriate charges as set forth in (G) following will apply.

(d) For end user accounts in its operating territory where MCI has ordered Bill Processing Service, the Telephone Company will bill all rated MCI messages provided by MCI. The bill format will be determined by the Telephone Company.

(e) Upon acceptance by the Telephone Company of a Special Order for Bill Processing Service from MCI, the Telephone Company will determine the conditions and the period of time to implement such service on an individual order basis. Program development charges, as set forth in (G)(1) following, apply for the hours required to design, develop, test and maintain the necessary programs including any programs to rate, change the rates of or change the rate structure of any rate elements associated with MCI services. The only program development charges that MCI will incur will be those resulting from a Special Order.

(f) The Telephone Company will provide Bill Processing Service only on the condition that it purchase the accounts receivable from MCI as set forth in A.1.2 following.

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EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(B) Undertaking of the Telephone Company (Cont'd)

(1) Bill Processing Service (Cont'd)

(g) The Telephone Company will not provide any information related to Bill Processing Service accounts under this section. Bill Processing Services information may be obtained as set forth in A.2 following.

(h) The Telephone Company will, at the option of MCI, provide message-billed Bill Processing Service with inquiry. The Telephone Company will not become involved in disputes between MCI and its end users. Consequently, utilizing Telephone Company guidelines previously established for the collection process for its own accounts the Telephone Company may remove a disputed MCI charge from an end user's bill and deduct that amount from MCI's accounts receivable. It will be MCI's responsibility to pursue the collection of that amount.

When the Telephone Company provides inquiry, the Telephone Company will be responsible for contacts and arrangements with MCI's end users concerning the billing, collecting, crediting and adjusting of MCI service charges, except prior MCI balances due from end users, in accordance with existing Telephone Company procedures for Inquiry Service. At the request of MCI when MCI has ordered inquiry, the billed MCI messages which are removed from an end user's bill in accordance with existing Telephone Company procedures for Inquiry Service will be reviewed for unauthorized use of MCI service by Telephone Company message investigation groups for a period of up to 90 days after the billed MCI message has been removed from an end user's bill. For any billed MCI message removed from an end user's bill in accordance with existing Telephone Company procedures for Inquiry Service, the Telephone Company will make appropriate adjustments to MCI's accounts receivable. MCI will notify the Telephone Company when there is a dispute with an end user's account which is not resolved to the customer's satisfaction. MCI will indemnify and hold harmless the Telephone Company for damages arising in any manner in instances in which MCI fails to properly notify the Telephone Company concerning the existence of a dispute. Inquiry will

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EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(B) Undertaking of the Telephone Company (Cont'd)

(1) Bill Processing Service (Cont'd)

(h) (Cont'd)

only be provided when MCI has ordered Bill Processing Service at the same time for the same state operating area.

Adjustments to an end user's account will be made at MCI's request and the charges as set forth in A.1.1(G)(6) following will apply.

(i) Reserved For Future Use

(j) Reserved For Future Use

(k) The Telephone Company will accept MCI gift certificates for payment from end users if MCI agrees in writing to redeem all such gift certificates. The format of the gift certificate must be acceptable to the Telephone Company.

(l) Rated MCI messages input to Bill Processing Service which the Telephone Company cannot bill for any reason will be reviewed by the Telephone Company's message investigation groups. Upon completion of the review, the billable messages will be posted and the appropriate charges, as set forth in (G)(5) following, will apply. Unbillable messages will be handled in accordance with instructions that have been mutually determined by the Telephone Company and MCI. At the request of MCI, the rated MCI messages which cannot be billed to an end user will be reviewed for unauthorized use of MCI service by Telephone Company message investigation groups for a period of up to 90 days after the rated MCI message was processed.

(m) The Telephone Company will post rated MCI messages to the appropriate end user account when it identifies MCI message to be billed to an end user. MCI message-related charges, such as directory assistance, will be billed to the end user based on MCI message data received from MCI.

The Telephone Company will make adjustments to end user balances due to account for application of credits authorized by existing Telephone Company procedures for inquiry service and MCI furnished statements.

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EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(B) Undertaking of the Telephone Company (Cont'd)

(1) Bill Processing Service (Cont'd)

(n) Reserved For Future Use

(o) Where the rates for MCI services have been implemented under an accounting order pending final approval from a regulatory agency, the Telephone Company will, upon written request from MCI, keep such records as may be required to make any adjustments to the end users as may be ordered by the regulatory agency. The charges for such a service will be determined on an individual case basis. The final disposition of an accounting order shall be provided at rates determined on an individual case basis.

(p) The Telephone Company will impose a Late Payment Charge on an end user's balance due (which may include charges for MCI's service) where allowed by the appropriate Regulatory Authority.

(q) At MCI's request and when MCI has ordered Bill Processing Service the Telephone Company will print MCI provided Marketing Message in the available space on MCI's summary page of an end user's bill at the rates set forth in (G)(11) following. The Telephone Company shall not be required to print for MCI any Marketing Message which in any manner, either directly or indirectly, by name or otherwise, refers to the Telephone Company. The Telephone Company shall not be required to print any Marketing Message which, in its opinion, would be confusing to its end users or would result in liability of any kind to any person or entity for the Telephone Company. The Telephone Company liability for Marketing Messages is as set forth in A.1.1(C)(4). Specifications for the Marketing Message will be provided to MCI by the Telephone Company.

(2) Message Billing Service Ordering

(a) The Telephone Company will provide Message Billing Services under a Message Billing Service Special Order. For all Message Billing Service, other than establishment of or changes to end user account data (including credit card data), establishment of or changes to end user account rate elements and changes to end user balances due, the Message Billing Service Special Order charge as set forth in (G)(8) following will apply to orders accepted by the Telephone Company. The format of this Special Order will be specified by the Telephone Company.

EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(B) Undertaking of the Telephone Company (Cont'd)

(2) Message Billing Service Ordering (Cont'd)

(b) The Telephone Company will exchange with MCI as needed under an End User Account Activity Special Order end user account information to establish and change end user account data, establish and change end user account rate elements and change end user balances due. The methods, procedures and manner in which the end user account data and changes are forwarded to the Telephone Company must be agreeable to the Telephone Company.

(C) Liability of the Telephone Company

Notwithstanding A.3 following, the Telephone Company liability for Message Billing Service is as follows:

(1) If Bill Processing Service detail is not available because the Telephone Company lost or damaged records or incurred processing system outages, the Telephone Company will attempt to recover the lost MCI detail. If the lost MCI detail cannot be recovered and MCI provided the detail, MCI will be requested to resupply the detail. If MCI cannot resupply the detail, the extent of the Telephone Company's liability for damages will be as follows:

(a) If MCI message detail is not available because the Telephone Company lost or damaged tapes or incurred processing system outages, the Telephone Company will estimate the volume of lost MCI messages and associated revenue based on previously known values. This estimated MCI message volume will be included along with MCI message detail provided to MCI and/or provided for Message Processing Service. In such events, the extent to the Telephone Company's liability for damages shall be limited to the granting of a corresponding credit adjustment (less estimated Billing and Collection charges) to MCI amounts due to account for the unbillable revenue. The credit adjustment will appear on a settlement report received by MCI within two months from the month the Telco is notified or discovers the message detail which was lost.

(b) When the Telephone Company is notified that, due to error or omission, incomplete data have been provided to MCI, the Telephone Company will make every reason-

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EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(C) Liability of the Telephone Company (Cont'd)

(1) (Cont'd)

(b) (Cont'd)

able effort to locate and/or recover the data and provide new magnetic tapes to MCI. If the data can not be recovered, the extent of the Telephone Company's liability for damages shall be limited as set forth in (a) preceding.

(c) In the absence of willful misconduct no liability for damages to MCI or other person or entity other than as set forth in (a) and (b) preceding shall attach to the Telephone Company for its action or the conduct of its employees in providing Billing Service.

Any recovered MCI messages subsequently billed, for which credit adjustments were granted, will be excluded from MCI amounts due.

(2) If the Telephone Company finds, or is notified of, an error in billing to an end user, it will make a reasonable effort to correct the error and bill the appropriate end user within the limits permitted by laws of the state in which it provides the service. If the error is caused by the Telephone Company and the Telephone Company cannot timely (normally within 60 days) bill the proper end user, the extent of the Telephone Company's liability for damages will be the known amount misbilled or when the amount misbilled is unknown, limited as set forth in A.1.1(C)(1) preceding. If the error is caused by information or directions provided by MCI, MCI shall be liable for all appropriate charges for Message Billing Service as set forth in A.1.1(G) and any other cost and expenses incurred by the Telephone Company to correct the error.

(3) In the absence of gross negligence or willful misconduct, no liability for damages to MCI or other person or entity other than as set forth in (1) and (2) preceding shall attach to the Telephone Company for its action or the conduct of its employees in providing Bill Processing Service.

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EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(C) Liability of the Telephone Company (Cont'd)

(4) The Telephone Company's liability to MCI for any errors or omissions in printing or distributing Marketing Messages shall be limited to reprinting and distributing at no additional charge to MCI, a correct copy of the Marketing Message in the Telephone Company's next billing cycle.

(D) Obligations of MCI

(1) MCI shall order Bill Processing Services under a Special Order for each state where service is desired. MCI shall be responsible for all balances due from end users that exist prior to ordering Bill Processing Service.

(2) At the time Bill Processing Service is initially ordered, MCI shall order the service for one to six years.

MCI shall not order Inquiry, Investigation of Bill Charges, Message Investigation and/or Inquiry Support unless it also has ordered Bill Processing Service for the same time period and state operating area.

(3) When Bill Processing Service is ordered, MCI shall furnish the Telephone Company, for each state, for each year of the agreement, a reasonable estimate of the number of messages.

The capacity estimate for Inquiry, Investigation of Bill Charges, Message Investigation, and/or Inquiry Support for each state and each year shall be the same as that for messages.

For multiple year orders MCI may at its discretion revise its message capacity estimates for the ensuing year forty-five days prior to the end of each year in the order period. Such revised message estimates must be agreeable to the Telephone Company.

Failure of MCI and the Telephone Company to mutually agree as to message capacity estimates prior to the beginning of the ensuing year may result in the cancellation of Billing and Collection Services by either MCI or the Telephone Company. In such instance MCI agrees to pay all minimum charges as set forth in A.1.1(E)(3) following as well as all non-recoverable capital costs and expenses specifically related to MCI's early termination of service incurred by the Telephone Company as a result of early termination of service.

K-27

EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.4 Bill Processing Service (Cont'd)

(D) Obligations of MCI (Cont'd)

(3) (Cont'd)

Should MCI elect not to revise its message capacity estimate as set forth above, and should the Telephone Company find the message estimate initially provided by MCI to be unreasonable, the Telephone Company may revise the ensuing year message capacity to be equal to all messages processed by the Telephone Company for MCI in the most recent twelve month period preceding the year for which the revised estimate is being made. In such instance MCI will be notified by the Telephone Company of the revised message capacity.

(4) MCI shall furnish all information necessary for the Telephone Company to provide the Bill Processing Service, including any per month service charges applicable to an end user. When MCI messages are to be billed by an entity other than the Telephone Company, MCI shall furnish written instructions as to how the rated MCI messages are to be provided to that other entity. If MCI does not furnish complete instructions, all resulting unbillable messages will be delivered to MCI. The information shall be furnished by MCI in a timely manner.

The procedures utilized for the application of Federal, State or Local sales, use, excise, gross receipts or other taxes or tax-like fees to be imposed on MCI's charge applicable to its end user shall be mutually agreed to by the Telephone Company and MCI. When MCI is required to provide the Telephone Company with notification of tax changes or new taxes applicable to service provided by MCI or with any direction, information, or advice concerning performance of any tax related service, MCI will indemnify the Telephone Company and hold it harmless from and against liability or loss of whatever kind which may result from MCI's failure to comply with such requirements.

The Telephone Company will indemnify MCI for tax assessments, penalties, and surcharges due to delay or error in implementing a tax change, loss of a tax exemption

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EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(D) Obligations of MCI (Cont'd)

(4) (Cont'd)

certificate or erroneous grant of exempt status when the customer has challenged exempt status which results from gross negligence or willful misconduct of the Telephone Company.

(5) Reserved for future Use

(6) When MCI orders Bill Processing Service, it shall authorize the Telephone Company in writing to deny service to end users for nonpayment. If that authorization is not received, Bill Processing Service will not be provided.

(7) MCI shall be responsible for all contact and arrangements, including prior MCI balances due from end users, with its end users concerning the provision and maintenance of MCI's service.

(8) When MCI orders Bill Processing Service with Inquiry, MCI shall furnish to the Telephone Company written instructions, which are agreeable to the Telephone Company, for the handling of end user questions about bills.

(9) MCI will immediately redeem all MCI gift certificates the Telephone Company receives in payment for any end user charges. MCI agrees to use a gift certificate format which is agreeable to the Telephone Company, as set forth in the operating procedures.

If MCI should fail to redeem gift certificates as provided above, Telephone Company shall have the right to deduct from MCI's receivables under this agreement an amount equal to unredeemed certificates as payment.

(10) MCI agrees to permit the Telephone Company to, when necessary in accordance with Telephone Company deposit regulations, determine and collect MCI service deposits from all end users of MCI's services for which the Telephone Company provides billing for MCI. The Telephone Company may collect the service deposit when an end user account is established, for established accounts when the message is posted to the end user account, or at other times in accordance with Telephone Company deposit

EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(D) Obligations of MCI (Cont'd)

(10) (Cont'd)

regulations. Deposits will not be maintained by individual MCI accounts but will be maintained for the end user account in general. The Telephone Company will provide a copy of its deposit regulations upon request from MCI.

(11) When MCI furnishes recorded MCI detail for Bill Processing Service, it shall be responsible to deliver the detail to the location specified by the Telephone Company and it shall retain a copy of the detail furnished for at least 90 days.

(12) It is the Telephone Company's practice to bill messages on a current basis. Therefore MCI will not furnish any messages and/or charges for input to Message Processing Service and/or Bill Processing Service which are older than six months. (i.e. date the call was placed or charge incurred by the end user.)

If the Telephone Company finds that, through its sole negligence, an error has occurred in billing to an end user, it will make a reasonable effort to correct the error and bill the appropriate end user within the limits permitted by laws of the state in which it provides the service. The Telephone Company will notify the end user, either at its own discretion or upon request by MCI, explaining the error and the fact that MCI was not responsible for the error.

If through its sole negligence, the Telephone Company fails to bill any rated message within 90 days from its receipt from MCI and is unsuccessful in collecting from the end user that amount billed, the Telephone Company's liability for damages will be limited to the known amount misbilled or unbilled less any partial payment which might have been received and less the charge owed to the Telephone Company for billing and collection service for the affected message.

EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(E) Payment Arrangements and Audit Provision

(1) Audit Provision

Upon written notice by MCI to the Telephone Company, MCI shall have the right, through its authorized representative, to examine and audit, during normal business hours and at reasonable intervals determined by the Telephone Company, all such records and accounts as may under recognized accounting practices contain information bearing upon the amount payable to MCI. Adjustment shall be made by the proper party to compensate for any errors or omissions disclosed by such examination or audit. Neither such right to examine and audit nor the right to receive such adjustment shall be affected by any statement to the contrary, appearing on checks or otherwise, unless such statement expressly waiving such right appears in a letter signed by the authorized representative of the party having such right and delivered to the other party.

Any information received or revieved by MCI or its authorized representative during the audit is to be considered confidential and not to be distributed, provided or disclosed in any form to anyone not involved in the audit, nor is such information to be used for any other purpose.

(2) Minimum Period

The minimum period for which Message Processing Service and/or Bill Processing Service is provided and for which charges apply is one year.

If the service is discontinued prior to the end of the period ordered, monthly charges apply for each remaining month and fraction of a month. The monthly charge will be one-twelfth of the minimum yearly charge. In addition, MCI will be responsible for all non-recoverable cost and expenses specifically related to MCI's early termination of service incurred by the Telephone Company.

(3) Minimum Yearly Charges

Message Billing Service is subject to the following minimum yearly charges.

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EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(E) Payment Arrangements and Audit Provision (Cont'd)

(3) Minimum Yearly Charges (Cont'd)

For Message Processing Service the minimum yearly charge is the message capacity furnished by MCI as set forth in (D)(3) times the appropriate Message Processing Service rate as set forth in A.1.1(G) following.

For Bill Processing Service per message billed, the minimum yearly charge is the message-billed bill capacity for the year furnished by MCI as set forth in (D)(3) times the appropriate Bill Processing Service message-billed or bulk-billed rate. The minimum yearly charge for message-billed messages will be determined separately based on the estimates the customer furnishes as set forth in (D)(3) preceding. For Bill Processing Service, per bill, the minimum yearly charge will be determined for the year using the message-billed bill capacity divided by the average number of messages per bill for message billed service times the appropriate rate as set forth in A.1.1(G)(5).

For Inquiry, Investigation of Bill Charges, and Message Investigation Service the minimum yearly charge will be determined using the message-billed bill capacity times the appropriate rate for each service.

(4) Cancellation of a Special Order

MCI may cancel a Special Order for Message Billing Service on any date prior to the agreed upon service date. The cancellation date is the date the Telephone Company receives written or verbal notice from MCI that the Special Order is to be cancelled. The verbal notice must be followed by written confirmation within 10 days. The service date for Message Billing Service is the date MCI and the Telephone Company mutually agree the service is to start.

EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(E) Payment Arrangements and Audit Provision (Cont'd)

(4) Cancellation of a Special Order (Cont'd)

When MCI cancels a Special Order for Message Billing Service after the order date, but prior to the start of service, a charge equal to the Special Order charges, program development costs and any nonrecoverable capital costs and expenses specifically related to MCI's early termination of service incurred by the Telephone Company will apply to MCI.

(5) Changes to Special Orders

When MCI requests changes to a pending Special Order for Message Billing Service, such changes will be undertaken if they can be accommodated by the Telephone Company. A charge equal to any costs incurred by the Telephone Company because of the change will apply.

(F) Rate Regulations

(1) The Message Processing and Bill Processing Service message charges apply during the periods of time ordered by the customer.

(2) The Message-Billed Bill Processing per Bill charge applies each month that one or more messages or related rate elements are billed to an end user. When both interstate and intrastate MCI messages are billed by the Telephone Company to the end user on the same bill for MCI, the Message-Billed Bill Processing per bill charge times 0.5 applies each month.

(3) Reserved for future use.

EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(F) Rate Regulations (Cont'd)

(4) The Message Billing Service Special Order charge applies for each Special Order for Message Processing Service and/or Bill Processing Service, other than establishment of or changes to end user account data establishment of or changes to end user account rate elements and changes to end user balances due, accepted by the Telephone Company.

An end user account is a record for message-billed service which has a unique name and address and billing identification number, assigned by the Telephone Company, to which a bill is rendered.

The End User Account Activity charges apply whenever MCI Special Order requests end user account data be established or changed, nonrecurring or recurring MCI rate element be added or changed in an end user account and/or an end user balance due be changed.

(a) The End User Account Balance Due Special Order Charge applies whenever MCI furnishes the Telephone Company information using standard procedures that is used by the Telephone Company to change an end user's balance due. Whenever MCI furnishes the Telephone Company information not using standard procedures that is used by the Telephone Company the charge will be determined to change the balance due associated with an end user account on an individual case basis.

(b) The End User Account Establishment and Change charge applies whenever MCI furnished information is used by the Telephone Company to establish or change end user account data or rate elements, or balances due, except for information to change end user account rate element rate levels or rate structure.

In addition, the End User Account Establishment and Change charge does not apply when rated MCI messages are posted to a message-billed account associated with an end user common line.

EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(F) Rate Regulations (Cont'd)

(5) When message detail is entered on a data file or magnetic tape to be provided to MCI, the per tape charge applies for each data file or tape prepared and the per record charge applies for each record processed. A record is a logical grouping of information as described in the programs that process the information and load the magnetic tapes or data file. The Telephone Company will determine the charges based on the number of data files or tapes prepared and on its count of the records processed. The number of records processed will be determined using the number of records input to or the number of records output from the programs that process the information and load the magnetic tapes or data file whichever number of records is higher.

(6) The rates as set forth in (G)(5) apply for Bill Processing Service for a customer message-billed service.

(7) The basic per hour rate and the premium per hour rate for program development is for the use of one hour of one Telephone Company employee's time.

(8) The Telephone Company will keep a count of the hours and fraction thereof used by Telephone Company personnel to provide program development and will bill MCI in accordance with these records. The hours for each service ordered will be summed and then rounded to the nearest hour, except that when the total is less than one hour, one hour will be used to determine the charges.

(9) The charges for Marketing Messages are as set forth in A.1.1(G)(11) following. Program Development charges as set forth in A.1.1(G)(1) following apply for the hours required to design, develop, test and maintain the necessary program for Marketing Messages.

If MCI desires the Marketing Message to be printed on the bill summary page of end users who have previously used MCI's services but have no current charges for that MCI's services, the following conditions and charges will apply in addition to those as set forth in (G)(11) following:

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EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(F) Rate Regulations (Cont'd)

(9) (Cont'd)

(a) MCI must subscribe to Billing Information Service.
(b) MCI must order Marking and Maintenance of Mark as set forth in A.2.7(F).
(c) For such bills rendered the Bill Processing per Bill rate applies as set forth in A.1.1(G)(5) following.

K-36

EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(G) Rates and Charges (Cont'd)

Rates Effective January 1, 1988 for:

	Rates
(1) Program Development,	
- Basic, per hour (applicable to work performed within the Telephone Company's normal work schedule and using the normal work force)	97.00
- Premium, per hour (applicable to work performed outside the Telephone Company's normal work schedule and/or which requires additions to the work force. MCI may contact its Telephone Company Representative to be advised of normal work schedules.)	105.00
(2) Reserved for future use.	
(3) Provision of rated MCI message detail,	
- per record processed	.001
- per tape or data file	80.00
(4) Reserved for future use.	

K-37

EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(G) Rates and Charges (Cont'd)

(5) (Cont'd)

Rates Effective January 1, 1988 for:

Message-Billed Bill Processing Per Message

Message Volume (Millions)*	Rate per message
0 to 75	$.0528
over 75 to 150	.0428
over 150 to 225	.0328
over 225 to 300	.0228
over 300 to 375	.0128
over 375	.0100

Bill Volume (Millions)**	Rate per bill
0 to 10	.30
over 10 to 20	.29
over 20 to 35	.28
over 35 to 50	.27
over 50	.25

*For the purpose of determining Bill Processing per message and per bill volumes the total number of messages processed and/or bills rendered will be the sum of all interstate and intrastate messages processed and/or bills rendered for MCI by the BellSouth Telephone Companies.

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EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(G) Rates and Charges (Cont'd)

(5) (Cont'd)

Rates Effective January 1, 1988 for:

Message-Billed Inquiry, - per message	.0131

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EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(G) Rates and Charges (Cont'd)

Rates Effective January 1, 1988 for:

	Rates
(6) End User Account Activity,	
- Special Order Charge to receive end user account data, information or rate changes	
- Standard Procedure	
- Residence account	$12.42
- Business account	$13.47
- Non-Standard Procedure	ICB
- End User Account balance due Special Order to receive end user balance due changes each.	
- Standard Procedure	$ 2.28
- Non-Standard Procedure	ICB
- End User Account Establishment and Change, except rate element rate level changes and rate structure, charge, per end user account established or changed, per recurring or nonrecurring rate element established or changed and end user balance due changed, each	.20
- End User Account Rate Element Rate Level Change Charge, per rate element changed, each	.20
- End User Account Rate Element Rate Structure Change Charge, per rate element changed, each	ICB

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EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.1 Bill Processing Service (Cont'd)

(G) Rates and Charges (Cont'd)

Rates Effective January 1, 1988 for:

		Rates
(7)	Reserved for future use.	
(8)	Message Billing Service Special Order Charge, - per Special Order	ICB
(9)	Retention of Records Under Accounting Orders, - per order per month	ICB
(10)	Final Disposition of an Accounting Order - per occurrence	ICB
(11)	Marketing Message - per message, per bill	.02

K-41

EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.2 Purchase of Accounts Receivable

The Telephone Company will purchase from MCI its accounts receivable that arise from bills rendered by the Telephone Company to MCI's end users as described in (A), and (B) following.

When MCI does not subscribe to Message Processing Service but does subscribe to Bill Processing Service the Company may purchase accounts receivable from MCI provided the Telephone Company is provided with files of rated messages as described in A.1.2(C) and (D) following.

The purchase of accounts receivable will be limited to amounts due MCI when the Telephone Company provides Bill Processing Service for MCI. After MCI orders Bill Processing Service and the Telephone Company is purchasing MCI's accounts receivable, MCI is prohibited from assigning, transferring, selling, exchanging or giving these accounts receivable to any other entity or person. MCI will provide a written assurance to the Telephone Company as to such forbearance and any such assignment, transfer, sale, exchange or gift is null and void and will subject MCI to all liabilities, expenses, costs including attorney fees expended and incurred by the Telephone Company in pursuing exclusive ownership to the accounts receivable. MCI may, at its option, assign, transfer, sell, exchange, or give its accounts receivable related to the services once the Telephone Company has written-off those accounts and recoursed them to MCI pursuant to this Agreement.

The Telephone Company's purchase of MCI's accounts receivable shall be with recourse adjustments as set forth in (B) following to account for amounts due MCI that the Telephone Company is unable to collect from the end users which use MCI's services. The amounts due MCI for the purchase of its accounts receivable will be determined as follows:

(A) Total Current Amount Billed

The Telephone Company for each end user bill day (i.e., the billing date on a bill for an end user of MCI's service) will determine from its records the total current amount lawfully billed to MCI's end users for MCI services, including all taxes applicable to such services. A Total Current Amount Billed will be determined for MCI for each end user bill day.

(B) Recourse Adjustments

For each bill day, the Telephone Company will make recourse adjustments to the Total Current Amount Billed as follows:

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EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.2 Purchase of Accounts Receivable (Cont'd)

(B) Recourse Adjustments (Cont'd)

(1) End User Adjustments

For each bill day, the Telephone Company will subtract from the Total Current Amount Billed the lawfully billed amounts which the Telephone Company removes from end users balances due in accordance with existing Telephone Company procedures for Inquiry Service. Details of each adjustment will be provided to MCI. Such detail will include, but not be limited to, end user name and address, originating and terminating ANI's, minutes, reasons for and dollar amount of adjustment. In addition, for each bill day, the Telephone Company will subtract from the Total Current Amount Billed, an amount that equals the face value of any MCI gift certificates (or its predecessor company's gift certificates) the Telephone Company has in its possession. MCI gift certificates the Telephone Company possesses will be returned to MCI.

(2) Telephone Company and MCI Adjustments

For each bill day, the Telephone Company will subtract from the Total Current Amount Billed bill amounts for end user bills which the Telephone Company delivers to MCI in accordance with A.1.1.(B)(2)(i) preceding. In addition, for each bill day, the Telephone Company may make adjustments to the Total Current Amount Billed to account for amounts on statements received from MCI for additions or subtractions to an end user balance due for services billed in prior periods.

Also, each bill day, the Telephone Company may make adjustments to the Total Current Amount Billed to account for additions and subtractions for MCI or Telephone Company prior billing period errors.

(3) Uncollectible Adjustments

For each bill day, the Telephone Company will subtract from the Total Current Amount Billed an amount for uncollectibles. Uncollectibles are amounts due billed by the Telephone Company to end users on MCI Bills that are added to the Uncollectible (realized) Accounts of the Telephone Company The Telephone Company will determine the MCI amount for uncollectibles for each bill day by multiplying the Total Current Amount Billed by MCI uncollectible factor rounded up to the nearest 1/1000th as determined in (a) following.

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EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.2 Purchase of Accounts Receivable (Cont'd)

(B) Recourse Adjustments (Cont'd)

(3) Uncollectible Adjustments (Cont'd)

(a) To determine MCI uncollectible factor the Telephone Company will determine from its records the dollar amount lawfully due on MCI Bills which, after standard collection efforts are completed, is added to its uncollectible (realized) accounts (uncollectible amount). This uncollectible amount will include adjustments to account for any payments received by the Telephone Company for outstanding Final MCI Bill amounts that were previously declared uncollectible and any deposits held by the Telephone Company for services provided to the end users where final MCI Bills have been rendered. The uncollectible amount (including where necessary MCI's and/or its predecessor's history of uncollectible to develop a full recent 3 month period) will be used by the Telephone Company in an uncollectible apportionment study to determine the realized uncollectible amount for MCI (which is provided Bill Processing Service by the Telephone Company) for the most recent 3 month period.

This realized uncollectible amount for MCI will be divided by the Total Current Amount Billed for MCI for no less than the same most recent 3 month period to develop MCI uncollectible factor. This factor will be used by the Telephone Company for no less than the next 3 months to determine MCI amount for uncollectibles. Just prior to the end of no less than the 3 month period, the Telephone Company will determine a new MCI uncollectible factor in the same manner as above for no less than the ensuing 3 month period. If as a result of the calculation of the new uncollectible factor, the realized uncollectibles differ from the amount included as uncollectible adjustments during the preceding study period, a true-up amount will be calculated and either billed or remitted to MCI as appropriate. The true-up amount will be calculated by the end of the month following the close of the study period. The true-up settlement will be made 31 days thereafter.

K-44

EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.2 Purchase of Accounts Receivable (Cont'd)

(C) Amounts Due MCI Providing Files of Rated Records

For MCI providing the Telephone Company with files of rated records, the amount due for the purchase of its accounts receivable will be determined at the option of the Telephone Company as described in A.1.2(A) or A.1.2(B) preceding or as follows:

(1) Total Amount of Billable Revenue

The Telephone Company will, upon receipt of files of rated records, determine from its records the total amount lawfully billable to MCI's end users for MCI and/or its predecessor's services. A total amount of billable revenue will be determined for each file receipt date. The bill date for this revenue will be extended by 15 calendar days to provide an "averaged" bill date. This extension will make allowances for the time period existing between the receipt of the file and the actual billing of the end users for charges appearing on the file. This revenue, will serve as the base for that which is hereinafter referred to as the "file receipt" purchase of the accounts receivable.

(2) Recourse Adjustment

For each Settlement period, the Telephone Company will determine the taxes and adjustments associated with the total current amount billed.

This Settlement period activity will serve as the base for what is here and after referred to as the "billing" purchase of accounts receivable. The amounts due MCI for the settlement of the "billing" purchase of the accounts receivable will be determined as follows:

(a) Taxes

All directly billed taxes or any additional taxes applicable to such services. A total current amount for billed taxes will be determined for each settlement period.

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EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.2 Purchase of Accounts Receivable (Cont'd)

(C) Amounts Due MCI Providing Files of Rated Records (Cont'd)

(2) Recourse Adjustment (Cont'd)

(b) End User Adjustments

For each settlement period, the Telephone Company will determine lawfully billed amounts which the Telephone Company removes from end users balances due in accordance with Telephone Company inquiry operations and/or with MCI inquiry instructions to correct charges.

(c) Telephone Company and MCI Adjustments

For each settlement period, the Telephone Company will subtract bill amounts which the Telephone Company has requested recourse from MCI in conjunction with end user disputes related specifically to MCI's services, charges, taxes, or prior recourse adjustments.

In addition, for each settlement period, the Telephone Company may make adjustments to the total current amount billed to account for amounts on statements received from MCI for additions or subtractions to an end user balance due for MCI's services billed in prior periods where MCI performs inquiry.

Also, each settlement period, the Telephone Company may make adjustments to the total current amount billed to account for additions and subtractions for MCI or Telephone Company prior period errors.

(d) Unbillables

The Telephone Company will subtract from the "file receipt" and "billing" purchases amounts for charges rejected in the transmission(s) and net amount of invoices being returned to MCI after investigation.

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EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.2 Purchase of Accounts Receivable (Cont'd)

(C) Amounts Due MCI Providing Files of Rated Records (Cont'd)

(2) Recourse Adjustment (Cont'd)

(d) (Cont'd)

A report of the data failing the initial edits at EC central receipt point will be immediately returned to MCI for investigation. EC will attempt for 22 calendar days to find the appropriate accounts for data passed from central receipt point to EC billing system(s).

Invoice Summaries associated with detail records that are unbillable after 22 calendar days will be returned to MCI in report format as defined between EC and MCI. Return reasons will be assigned to all rejected Invoice Summaries and transmitted back to MCI.

(e) Uncollectible Adjustments

The Telephone Company will subtract from the "file receipt" and "billing" purchases estimated amounts for uncollectibles. Uncollectibles are amounts billed by the Telephone Company to end users on final bills that are unpaid. The Telephone Company will determine MCI amount for uncollectibles for each purchase. The Telephone Company will determine MCI amount for uncollectibles for each purchase by multiplying the total current amount billed by MCI uncollectible factor rounded up to the nearest 1/1000th as determined in A.1.2(B)(3)(a).

EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.2 Purchase of Accounts Receivable (Cont'd)

(D) Settlement for Amounts Due to MCI Who Provides Files of Rated Records

The Telephone Company may purchase accounts receivable from MCI when the Telephone Company is provided with files of rated records. Settlements will occur once a month as set forth in A.1.2(D)(1) following.

(1) Determination of Settlement Date

The settlement date for the aggregated purchase will be determined by adding the number of days determined to be the average MCI payment availability period to the averaged bill day of the "file receipt" purchase. Except as provided herein, the Telephone Company will remit settlement to MCI on said settlement dates. Settlement will be made by electronic funds transfer or other means of transferring funds or by check or draft postmarked two (2) days prior to the payment date for amounts not to exceed $100,000.

If such settlement date would cause settlement to be due on a Saturday, Sunday, or holiday observed by MCI or the Telephone Company, or on any other day when the Telephone Company is prohibited by local bank or Federal Reserve Bank closing from making payment by electronic funds transfer, settlement for the net settlement amount will be due to MCI as follows:

If such settlement date falls on a Sunday or a Monday on which payment cannot be made (as described above), the settlement date shall be the first workday following the Sunday or Monday. If such settlement date falls on a Saturday or on a Tuesday, Wednesday, Thursday or Friday, on which payment cannot be made (as described above), the settlement date shall be the last workday preceding such Saturday, Tuesday, Wednesday, Thursday, or Friday.

(2) Late Payment Charges

Further, if any portion of the net settlement amount is received by MCI after the settlement date as set forth in A.1.2(D)(1) preceding, then a late payment penalty shall be due MCI MCI will have the responsibility of billing the Telephone Company for any applicable late payment charge.

EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.2 Purchase of Accounts Receivable (Cont'd)

(D) Settlement for Amounts Due to MCI Who Provides Files of Rated Records (Cont'd)

(2) Late Payment Charges (Cont'd)

The Telephone Company will remit the agreed upon late payment charge within 30 days of the receipt of the invoice. The late payment penalty shall be the portion of the net purchase amount not received by the payment date times a late factor. The late factor shall be the lesser of:

(a) the highest Finance Charge (in decimal value) which may be levied by law for commercial transactions in the state in which the Telephone Company provides Bill Processing Service to MCI, compounded daily for the number of days from the payment date to and including the date that the Telephone Company actually makes the payment to MCI, or

(b) 0.000590 per day, compounded daily for the number of days from the payment date to and including the date that the Telephone Company actually makes the payment to MCI.

(3) Penalties Applicable to End User Balance Adjustments

Also, if any adjustment to an end user balance due is received by the Telephone Company from MCI forty-five days after the date the Telephone Company billed the charges to be adjusted to the end user (billed plus date), then a late payment penalty shall be due the Telephone Company. The late payment penalty shall be the adjustment amount times a late factor. The late factor shall be the lesser of:

(a) the highest interest rate (in decimal value) which may be levied by law for commercial transactions in the state in which the Telephone Company provides Bill Processing Service to MCI, compounded daily for the number of days from the billed plus date to and including the date that the Telephone Company posts the end user account, or

(b) 0.000590 per day, compounded daily for the number of days the billed plus date to and including the date that the Telephone Company posts the end user account.

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EXHIBIT A

A.1 Billing Service (Cont'd)

A.1.2 Purchase of Accounts Receivable (Cont'd)

(D) Settlement for Amounts Due to MCI Who Provides Files of Rated Records (Cont'd)

(3) Penalties Applicable to End User Balance Adjustments (Cont'd)

Any late payment will be included with the adjustment made by the Telephone Company to MCI's Total Current Amount Billed.

(E) Tax Liability

Should any federal, state or local jurisdiction determine that sales, use, gross receipts or any other taxes (including interest, penalties and surcharges thereon) are due by the Telephone Company as a result of the Telephone Company's purchase of accounts receivable, the Telephone Company will advise MCI within 10 business days of receipt by the Telephone Company Tax Department of any such assessment notice and MCI shall be liable for any such tax interest, penalties and surcharge, and MCI shall immediately reimburse the Telephone Company the amount of such tax, interest, penalties and surcharge paid by the Telephone Company. If MCI disagrees with the Telephone Company's determination that any taxes are due by the Telephone Company as a result of the Telephone Company's purchase of accounts receivable, MCI shall, at its option and expense (including immediate payment of any such assessment), have the rights to seek a ruling as to the inapplicability of any such tax or to protest any assessment and participate in any legal challenge to such assessment, but shall be liable for any tax, penalty, surcharge and interest ultimately determined to be due.

K-50

EXHIBIT A

A.2 Billing Information Service

At the request of MCI, the Telephone Company will provide information to MCI from its end user records, billing files and account data base.

A.2.1 General Description

Billing Information Service is the provision of information to MCI from Telephone Company record systems labeled as MCI Records Information System (CRIS), Non-Sent-Paid Indicator Data Base (DBAS) and MCI Name and Address Bureau (CNA). Such Billing Information Service will be limited to the provision of information to MCI relating exclusively to end user services provided by that MCI. Information relating to services provided by any other entity will not be provided.

Information is defined as any entry in the records, data base or bureau listings which is not listed as confidential and proprietary to the Telephone Company. Any entry listed as confidential and proprietary to the Telephone Company will not be provided.

A.2.2 Undertaking of the Telephone Company

(A) When Billing Information Service is ordered by MCI, the Telephone Company will provide information on a request by request basis as follows in (B) through (F) following at the rates and charges as set forth in A.2.7 following.

(B) Upon request from MCI and when MCI has ordered Message Billing Service Bill Processing Service or Optional Billing Service Bill Processing, the Telephone Company will provide information from its CRIS records as follows:

(1) message detail for a message end user
(2) account detail for a message end user
(3) service and equipment detail for a message end user.

Message detail is message-billed records in exchange message record (EMR) format in the CRIS file.

Account detail is data that furnishes the end user name, billing address and billing parameters other than message detail and/or service and equipment detail.

Service and equipment detail is data associated with MCI rate elements.

A message end user is an account with MCI message or bulk-billed detail (for a bill period).

EXHIBIT A

A.2 Billing Information Service (Cont'd)

A.2.2 Undertaking of the Telephone Company (Cont'd)

(B) (Cont'd)

Message detail, account detail and/or service and equipment detail which is confidential due to legal, national security, and user or other appropriate requirements, and which was not provided to Telephone Company by MCI, will not be provided. If MCI requires this information in order to bill its services, it shall secure written permission from the end user to obtain the information from the Telephone Company. MCI shall furnish the Telephone Company the end user's written permission for the information to be released.

(C) Upon request from an authorized supervisor of MCI for end user information when automatic number identification (ANI) service is provided to MCI by the Telephone Company or when MCI offers a telecommunications service for which the billing is based on authorized calling or called parties, the Telephone Company will provide information from its DBAS records. Only current information which resides in the data base will be provided.

(D) Where Telephone Company facilities are available and subject to the agreement of the Telephone Company, CRIS and/or DBAS information may be provided on an interrogation basis at the request of MCI.

The interrogation basis will permit MCI to access a data file which contains the data base information from a data processing terminal at a location designated by MCI, furnish an end user telephone number and, after verification that the information is authorized for MCI use, receive the end user information. The interrogation file will be provided during normal Telephone Company business hours. The DBAS interrogation file will be updated each business day to reflect current end user information. The CRIS interrogation file will be updated each bill day (day bills are prepared and dated for an end user for MCI service) and will be updated daily when information is available and when the Telephone Company updates the file on a daily basis to reflect current end user information.

The Telephone Company will develop MCI CRIS and DBAS information order into a retrieval and interrogation program. Program development charges, as set forth in A.4.7 following, apply for the hours required to design, develop, test and maintain the necessary programs.

(E) CRIS and/or DBAS information will be provided on a Custom Report.

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EXHIBIT A

A.2 Billing Information Service (Cont'd)

A.2.2 Undertaking of the Telephone Company (Cont'd)

(E) (Cont'd)

A Customer Report basis will permit MCI to receive, at MCI option, all the end user information that is authorized for MCI use on paper printout, magnetic tape or fiche. The frequency of such customer reports and their content will be determined on an individual case basis which is mutually agreeable to MCI and the Telephone Company. The magnetic tapes will be provided without the return of previously supplied tapes. The Telephone Company will supply the magnetic tapes.

Program development charges as set forth in A.4.7 following, apply for the hours required to design, develop, test and maintain the necessary programs that are used to provide the paper output, magnetic tape or fiche.

Once available, the paper printout magnetic tape or fiche will be sent to MCI via first class U.S. Mail service. At the option of MCI, MCI or its representative may pick up the paper printout, magnetic tape or fiche at a location designated by the Telephone Company or request the Information be data-transmitted to MCI. When the information is data-transmitted to MCI, the data transmission charges will be determined on an individual case basis.

(F) Upon acceptance by the Telephone Company of a Special Order for Billing Information Service from MCI, the Telephone Company will determine the period of time to implement such service on an individual order basis.

(G) The Telephone Company will provide the format for interrogation of its data files and the format of any printed, magnetic tape or fiche output from its CRIS and DBAS files.

(H) Where facilities are available and subject to the agreement of the Telephone Company, updating of MCI data bases or files from Telephone Company data processing terminals or equipment in Telephone Company locations may be undertaken at the request of MCI. The charges for such a service will be determined on an individual case basis.

(I) The Telephone Company will provide Billing Information Service under a Special Order. For all Billing Information Services, the Billing Information Service Special Order charge as set forth in A.4.7(C) following applies.

EXHIBIT A

A.2 Billing Information Service (Cont'd)

A.2.3 Liability of the Telephone Company

Notwithstanding A.3 following, in the absence of willful misconduct no liability for damages to MCI or other person or entity shall attach to the Telephone Company for its action or the conduct of its employees in providing Billing Information Service.

A.2.4 Obligations of MCI

(A) MCI shall order Billing Information Service under a Special Order. MCI shall order those Billing Information Services for the states where it wishes to receive the services and shall specify how often it wishes the service to be provided.

(B) With each order, MCI shall identify the authorized individual and address to receive the Billing Information Service output. When interrogation is ordered, MCI shall identify the data processing terminals authorized to receive the information and the authorized individual who will be responsible for all terminal activities. When CNA service is ordered, MCI will identify in writing and include the account codes assigned by the Telephone Company of all authorized individuals who will contact the CNA bureau.

(C) Except for message detail, account details, and/or service and equipment detail which is confidential due to legal, national security, end user or other appropriate requirements Billing Information outputs transferred to MCI from the Telephone Company may be used by MCI for any legitimate business purpose. MCI will indemnify and hold harmless the Telephone Company for damages arising in any manner in instances in which MCI fails to maintain confidentiality of any previously mentioned detail or information.

(D) MCI shall furnish, to the Telephone Company, when interrogation service is ordered all information necessary to allow the Telephone Company to establish an interrogation program. In addition, MCI shall furnish the Telephone Company, for each data base and file where MCI is ordered, an estimate of the number of requests per business day that the Telephone Company data bases and file will be asked to handle. MCI's terminals used to interrogate the Telephone Company data bases and files must be capable of working with Telephone Company equipment and software.

(E) MCI shall be responsible for all contacts and inquiries from its end users concerning Billing Information Service.

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EXHIBIT A

A.2 Billing Information Service (Cont'd)

A.2.4 Obligations of MCI (Cont'd)

(F) MCI or the Telephone Company shall not publicize or represent to others that the Telephone Company jointly participates with MCI in the development of MCI end user records, accounts, data bases or market data, records, files and data bases or other systems it assembles through the use of Billing Information Service unless mutually agreed upon.

A.2.5 Payment Arrangements

(A) Minimum Periods and Minimum Monthly Charges

The minimum period for which Billing Information Service CRIS and/or DBAS file interrogation is provided and for which charges apply is one year.

The minimum monthly charges for CRIS and/or DBAS file interrogation are the charges for the total number of requests per business day furnished by the IC as set forth in A.2.4(D) preceding times 18 (i.e., 20 business days per month times 0.9).

When MCI discontinues the service prior to the end of the one-year minimum period, the minimum monthly charge for the data base interrogation will apply for each remaining month and fraction of month.

(B) Cancellation of a Special Order

MCI may cancel a Special Order for Billing Information Service on any date prior to the service date. The cancellation date is the date the Telephone Company receives written or verbal notice from MCI that the Special Order is to be cancelled. The verbal notice must be followed by written confirmation within 10 days. The service date for a Billing Information Service is the date the Telephone Company notifies MCI that the Telephone Company is ready to provide Billing Information Service Custom Reports or receive interrogation requests.

When MCI cancels a Special Order for Billing Information Service after the order date but prior to the start of service, charges as listed following shall apply:

(1) For any service, the appropriate per hour rate for all hours expended by the Telephone Company to provide the service.

(2) For any service, any expense for equipment obtained for the service where such equipment cannot be reused within six months.

EXHIBIT A

A.2 Billing Information Service (Cont'd)

A.2.5 Payment Arrangements (Cont'd)

(C) Changes to Special Orders

When MCI requests changes for a pending Special Order for Billing Information Service, they will be undertaken if they can be accommodated by the Telephone Company. Any additional time required on the part of Telephone Company personnel will be billed to MCI at the appropriate hourly charges.

A.2.6 Rate Regulations

(A) The number and type of records for which charges apply as set forth in A.2.7 following will be accumulated by the Telephone Company and the Telephone Company will bill MCI in accordance with these accumulations. A record is a logical grouping of information as described in the programs that process the information, print the paper output, and load the magnetic tape or data file used to supply the detail which is data-transmitted or put on fiche. For each service and type of output ordered, the number of records processed by the Telephone Company to prepare the output will be used to determine the charges. The number of records processed will be determined using the number of records input to or the number of records output from the programs that process the information, print the paper output and load the magnetic tape or data file, whichever number of records is higher.

(B) The number of hours and fraction thereof for which charges apply as set forth in A.2.7 following will be accumulated by the Telephone Company. The per hour rate is for the use of one hour of one Telephone Company employee. The Telephone Company will bill MCI for hourly charges in accordance with these accumulations. The accumulated hours for each order will be summed and rounded to the nearest hour, except that when the total is less than one hour, one hour will be used to determine the charges.

(C) The Provision of Billing Information Service per Special Order Charge applies for each Special Order accepted by the Telephone Company to establish or change for any Billing Information Service.

(D) Custom Reports will be provided to MCI upon request and the rate will be calculated on an individual case basis.

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EXHIBIT A

A.2 Billing Information Service (Cont'd)

A.2.7 Rates and Charges

	Rates*
(A) Custom Reports, for CRIS or DBAS Message Detail, Account Detail and/or Service and equipment detail	
- per tape,	ICB
- per data file	ICB
- per report	ICB
- per record	ICB
- per microfiche	ICB
(B) CRIS File or DBAS File interrogation,	
- per request received $	ICB
(C) Program Development charge,	
- Basic, per hour (applicable to work performed within the Telephone Company's normal work schedule and using the normal work force.)	97.00
- Premium, per hour (applicable to work performed outside the Telephone Company's normal work schedule and/or which requires additions to the work force. MCI may contact it's Telephone Company Representative to be advised of normal work schedules.)	105.00
(D) CNA Information Service,	
- CNA interrogation, per request received	.32
- CNA interrogation confirmation, per request confirmed	6.60

* The Quick Turnaround per record charge and the per tape charge is three times the 10 working day per record charge and per tape charge.

$ These offerings are only provided where facilities are available.

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EXHIBIT A

A.2 Billing Information Service (Cont'd)

A.2.7 Rates and Charges

	Rates*
(E) Data transmission to a MCI location of Billing Information Service details, - per record transmitted	ICB
(F) Marking of Message End User Accounts - marking, per end user account	.20
- maintenance of mark. per end user account per month	.005
(G) Updating of MCI data bases or files - per record transmitted	ICB
(H) Provision of Bill Information service - per Special Order	ICB

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EXHIBIT A

A.3 General Regulations, Payment Arrangements, Liabilities, and Rate Regulations

This agreement contains regulations, rates, and charges applicable to the provisions of Recording Services, Billing Services, Analysis Services, and Information Services. The provision of such services by the Telephone Company as set forth in this agreement does not constitute a joint undertaking with MCI for the furnishing of any service.

A.3.1 Undertaking of the Telephone Company

A.3.1.1 Scope

(A) The Telephone Company shall be responsible only for the installation, operation and maintenance of the service it provides.

(B) The Telephone Company will, for maintenance purposes, test its services only to the extent necessary to detect and/or clear troubles.

(C) Services are provided 24 hours daily, seven days per week, except as set forth in other applicable sections of this agreement.

(D) The Telephone Company does not warrant that its facilities and services meet standards other than those set forth in this agreement.

A.3.1.2 Limitations

(A) MCI may not assign or transfer the use of services provided under this agreement; however, where there is no interruption of use or relocation of the services, such assignment or transfer may be made to:

(1) another IXC whether an individual, partnership, association or corporation, provided the assignee or transferee assumes all outstanding indebtedness for such services, and the unexpired portion of the minimum period and the termination liability applicable to such services, if any; or

(2) a court-appointed receiver, trustee or other person acting pursuant to law in bankruptcy, receivership, reorganization, insolvency, liquidation or other similar proceedings, provided the assignee or transferee assumes the unexpired portion of the minimum period and the termination liability applicable to such services, if any.

EXHIBIT A

A.3 General Regulations, Payment Arrangements, Liabilities, and Rate Regulations (Cont'd)

A.3.1 Undertaking of the Telephone Company (Cont'd)

A.3.1.2 Limitations (Cont'd)

In all cases of assignment or transfer, the written acknowledgment of the Telephone Company is required prior to such assignment or transfer which acknowledgment shall be made within 15 days from the receipt of notification together with all information necessary to Telephone Company's reasonable assurance that assignee is eligible to receive service under this agreement and will be able to pay any amounts due to Telephone Company hereunder. All terms and conditions contained in this agreement shall apply to such assignee or transferee.

The assignment or transfer of services does not relieve or discharge the assignor or transferor from remaining jointly or severally liable with the assignee or transferee for any obligations existing at the time of the assignment or transfer.

A.3.1.3 Liability

(A) The Telephone Company's liability, if any, for its willful misconduct is not limited by this agreement. With respect to any other claim or suit, by MCI, or by any others, for damages associated with the provision, termination, or maintenance, of service, and subject to the provisions of (B) through (E) following, the Telephone Company's liability except as set forth in A.1.4(C)(1) preceding, if any, shall not exceed an amount equal to the proportionate charge for the service for the period during which the service was affected. This liability for damages shall be in addition to any amounts that may otherwise be due MCI.

(B) The Telephone Company shall not be liable for any act or omission of any other carrier, MCI and/or MCI providing a portion of a service, nor shall the Telephone Company for its own act or omission hold liable any other carrier MCI and/or MCI providing a portion of a service.

(C) The Telephone Company shall be indemnified, defended and held harmless by MCI against any claim, loss

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EXHIBIT A

A.3 General Regulations, Payment Arrangements, Liabilities, and Rate Regulations (Cont'd)

A.3.1 Undertaking of the Telephone Company (Cont'd)

A.3.1.3 Liability (Cont'd)

(C) (Cont'd)

or damage arising from MCI's use of services offered under this agreement involving:

(1) Claims for libel, slander, invasion of privacy, or infringement of copyright arising from MCI's own communications;

(2) Claims for patent infringement arising from MCI's acts combining or using the service furnished by the Telephone Company in connection with facilities or equipment furnished by the end user or MCI or;

(3) All other claims arising out of an act or omission of MCI in the course of using services provided pursuant to this agreement.

(D) No license under patents (other than the limited license to use) is granted by the Telephone Company or shall be implied or arise by estoppel, with respect to any service offered under this agreement. The Telephone Company will defend MCI against claims of patent infringement arising solely from the use by MCI of services offered under this agreement and will indemnify such MCI for any damages awarded based solely on such claims.

(E) The Telephone Company's failure to provide or maintain services under this agreement shall be excused by labor difficulties, governmental orders, civil commotions, criminal actions taken against the Telephone Company, acts of God and other circumstances beyond the Telephone Company's reasonable control.

A.3.1.4 Refusal and Discontinuance of Service

(A) If MCI fails to comply with A.3.1.2 preceding or A.3.2, A.3.3 or A.3.4 following, including any payments to be made by it on the dates and times herein specified, the Telephone Company may, on thirty (30) days written notice by Certified U.S.

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EXHIBIT A

A.3 General Regulations, Payment Arrangements, Liabilities, and Rate Regulations (Cont'd)

A.3.1 Undertaking of the Telephone Company (Cont'd)

A.3.1.4 Refusal and Discontinuance of Service (Cont'd)

(A) (Cont'd)

Mail to the person designated by MCI to receive such notices of noncompliance, refuse additional applications for service and/or refuse to complete any pending orders for service by the noncomplying MCI at any time thereafter. If the Telephone Company does not refuse additional applications for service on the date specified in the thirty (30) days notice, and MCI's noncompliance continues, nothing contained herein shall preclude the Telephone Company's right to refuse additional applications for service to the noncomplying MCI without further notice.

(B) If MCI fails to comply with A.3.1.2 preceding or A.3.2, A.3.3, or A.3.4 following, including any payments to be made by it on the dates and times herein specified, the Telephone Company may, on thirty (30) days written notice by Certified U.S. Mail to the person designated by MCI to receive such notices of noncompliance, discontinue the provision of the services to the noncomplying MCI at any time thereafter. In the case of such discontinuance, all applicable charges, including termination charges if applicable, shall become due. If the Telephone Company does not discontinue the provision of the services involved on the date specified in the thirty (30) days notice, and MCI's noncompliance continues, nothing contained herein shall preclude the Telephone Company's right to discontinue the provision of the services to the noncomplying MCI without further notice.

EXHIBIT A

A.3 General Regulations, Payment Arrangements, Liabilities, and Rate Regulations (Cont'd)

A.3.2 Obligations of MCI

A.3.2.1 Unlawful Use

The service provided under this agreement shall not be used for an unlawful purpose.

A.3.2.2 Availability for Testing

The services provided under this agreement shall be available to the Telephone Company at times mutually agreed upon in order to permit the Telephone Company to make tests and adjustments appropriate for maintaining the services in satisfactory operating condition. Such tests and adjustments shall be completed within a reasonable time. No credit will be allowed for any interruptions involved during such tests and adjustments.

A.3.3 Interstate Percentage USAGE (Jurisdictional Report Requirements)

(A) Interstate and intrastate Percentage USAGE will be determined as provided for in the Telephone Company's Access Services Tariffs as filed in each state jurisdiction.

(B) Jurisdictional Report Verification

If a billing dispute arises or a regulatory commission questions the projected interstate percentage, the Telephone Company will ask MCI to provide the data MCI uses to determine the projected interstate percentage. MCI shall supply the data within 30 days of the Telephone Company request. MCI shall keep records of call detail from which the percentage of interstate and intrastate use can be ascertained and upon request of the Telephone Company make the records available for inspection as reasonably necessary for purposes of verification of the percentages.

(C) Determination of Interstate Charges for Mixed Interstate and Intrastate Billing and Collection Services

When mixed interstate and intrastate Billing and Collection Services are provided, all charges (i.e., nonrecurring, monthly and/or usage) will be prorated between interstate and intrastate, except where otherwise noted. The percentage provided in the reports as set forth in A.3.3 (A) preceding will serve as the basis for prorating the charges. The percentage of service to be charged as interstate is applied in the following manner:

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EXHIBIT A

A.2 General Regulations, Payment Arrangements, Liabilities, and Rate Regulations (Cont'd)

A.3.3. Interstate Percentage USAGE (Cont'd)

(A) For monthly and nonrecurring chargeable rate elements, multiply the percent interstate use times the quantity of chargeable elements time the stated rate per element.

The interstate percentage will change as revised usage reports are submitted as set forth in A.3.3 preceding.

A.3.4 Payment Arrangements and Credit Allowances

A.3.4.1 Payment of Rates, Charges and Deposits

(A) The Telephone Company will, in order to safeguard its interests, only require an IXC which has a proven history of late payments to the Telephone Company or does not have established credit to make a deposit prior to or at any time after the provision of a service to IXC to be held by the Telephone Company as a guarantee of the payment of rates and charges. No such deposit will be required of IXC which is a successor of a company which has established credit and has no history of late payments to the Telephone Company. Such deposit may not exceed the actual or estimated rates and charges for the service for a two month period. The fact that a deposit has been made in no way relieves IXC from complying with the Telephone Company's regulations as to the prompt payment of bills. At such time as the provision of the service to an IXC is terminated, the amount of the deposit will be created to IXC's account and any credit balance which may remain will be refunded.

Such a deposit will be refunded or credited to IXCs account when IXC has established credit or, in any event, after IXC has established a one-year prompt payment record at any time prior to the termination of the provision of the service to IXC. In case of a cash deposit, for the period the deposit is held by the Telephone Company, IXC will receive interest at the same percentage rate as that set forth in (B)(2)(b)(I) or in (B)(2)(b)(II) following, whichever is lower. The rate will be compounded daily for the number of days from the date IXC deposit is received by the Telephone Company to and including the date such deposit is credited to IXC's account or the date the deposit is refunded by the Telephone Company.

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EXHIBIT A

A.3 General Regulations, Payment Arrangements, Liabilities, and Rate Regulations (Cont'd)

A.3.4 Payment Arrangements and Credit Allowances (Cont'd)

A.3.4.1 Payment of Rates, Charges and Deposits (Cont'd)

(A) (Cont'd)

Should a deposit be credited to IXC's account, as indicated above, no interest will accrue on the deposit from the date such deposit is credited to IXC's account.

(B) The Telephone Company shall bill on a current basis all charges incurred by and credits due to MCI agreement attributable to services provided under this agreement established or discontinued during the preceding billing period. In addition, the Telephone Company shall bill in advance charges for all services to be provided during the ensuing billing period except for charges associated with service usage which will be billed in arrears.

The bill day (i.e., the billing date of a bill for MCI for Billing and Collection Services), the period of service each bill covers and the payment date will be as follows:

(1) The Telephone Company will establish a bill day each month for each MCI account. The bill will cover non-usage sensitive service charges for the ensuing billing period for which the bill is rendered, any known unbilled non-usage sensitive charges for prior periods and unbilled usage charges for the period after the last bill day through the current bill day. Any known unbilled usage charges for prior periods and any known unbilled adjustments will be applied to this bill. Payment for such bills is due as set forth in (2) following. If payment is not received by the payment date, as set forth in (2) following in immediately available funds, a late payment penalty will apply as set forth in (2) following.

(2) (a) All bills dates as set forth in (1) preceding for service, provided to MCI by the Telephone Company are due 31 days (payment date) after the bill day, or by the next bill date (i.e., same date in the following month as the bill

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EXHIBIT A

A.3 General Regulations, Payment Arrangements, Liabilities, and Rate Regulations (Cont'd)

A.3.4 Payment Arrangements and Credit Allowances (Cont'd)

A.3.4.1 Payment of Rates, Charges and Deposits (Cont'd)

(2) (Cont'd)

date), whichever is the shortest interval, except as provided herein, and are payable in immediately available funds. If such payment date would cause payment to be due on a Saturday, Sunday or Holiday (i.e., New Year's Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day, the second Tuesday in November and a day when Washington's Birthday, Memorial Day or Columbus Day is legally observed), payment for such bills will be due from the customer as follows:

If such payment date falls on a Sunday or on a Holiday which is observed on a Monday, the payment date shall be the first non-Holiday day following such Sunday or Holiday. If such payment date falls on a Saturday or on a Holiday which is observed on Tuesday, Wednesday, Thursday or Friday, the payment date shall be the last non-Holiday day preceding such Saturday or Holiday.

(b) Further, if any portion of the payment is received by the Telephone Company after the payment date as set forth in (a) preceding, or if any portion of the payment is received by the Telephone Company in funds which are not immediately available to the Telephone Company, then a late payment penalty may be due to the Telephone Company. The late payment penalty shall be the portion of the payment not received by the payment date times a late factor. The late factor shall be the lesser of:

(I) the highest interest rate (in decimal value) which may be levied by law for commercial transactions or public utilities, compounded daily for the number of days from the payment date to and including the date that MCI actually makes the payment to the Telephone Company, or

EXHIBIT A

A.3 General Regulations, Payment Arrangements, Liabilities, and Rate Regulations (Cont'd)

A.3.4 Payment Arrangements and Credit Allowances (Cont'd)

A.3.4.1 Payment of Rates, Charges and Deposits (Cont'd)

(2) (Cont'd)

(II) 0.000590 per day, compounded daily for the number of days from the payment date to and including the date that MCI actually makes the payment to the Telephone Company.

(c) In the event that a billing dispute concerning any charges billed to MCI by the Telephone Company is resolved in favor of the Telephone Company, any payments withheld pending settlement of the dispute shall be subject to the late payment penalty set forth in (b) preceding. If MCI disputes the bill on or before the payment date, and pays the undisputed amount on or before the payment date, any late payment charge for the disputed amount will not start until 10 working days after the payment date.

If the billing dispute is resolved in favor of MCI, no late payment penalty will apply to the disputed amount. In addition, if MCI disputes the billed amount and pays the total amount (i.e., the nondisputed amount and the disputed amount) on or before the payment date and the billing dispute is resolved in the favor of MCI, MCI will receive a credit for a disputed amount penalty from the Telephone Company if the billing dispute is not resolved within 10 working days following the payment date or the date MCI furnishes to the Telephone Company documentation to support its claim plus 10 working days, whichever date is the later date. The disputed amount penalty shall be the disputed amount resolved in MCI's favor times a penalty factor. The penalty factor shall be the lesser of:

(I) The highest interest rate (in decimal value) which may be levied by law for commercial transactions or public utilities, compounded daily for the

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EXHIBIT A

A.3 General Regulations, Payment Arrangements, Liabilities, and Rate Regulations (Cont'd)

A.3.4 Payment Arrangements and Credit Allowances (Cont'd)

A.3.4.1 Payment of Rates, Charges and Deposits (Cont'd)

(B) (Cont'd)

(2) (Cont'd)

(c) (Cont'd)

number of days from the first date to and including the last date of the period involved, or

(II) 0.000590 per day, compounded daily for the number of days from the first date to and including the last date of the period involved.

(C) Adjustments for the quantities of services established or discontinued in any billing period beyond the minimum period set forth for services in other sections of this agreement will be prorated to the number of days or major fraction of days based on a 30 day month. The Telephone Company will, upon request and if available, furnish such detailed information as may reasonably be required for the verification of any bill.

A.3.5 Rate Regulations

(A) The rates and charges shown in this agreement apply for the period of service ordered by MCI.

(B) Rates and Charges shown as ICB (Individual Case Basis) will be determined as service is requested by MCI.

(C) When a rate as set forth in this agreement is shown to more than two decimal places, the charges will be determined using the rate shown. The resulting amount will then be rounded to the nearest penny (i.e., rounded to two decimal places).

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AUDIT PROVISION

Upon reasonable written notice by MCI to the Telephone Company, MCI shall have the right through its authorized representative to examine and audit, during normal business hours and at reasonable intervals as determined by the Telephone Company, as such records and accounts as may under recognized accounting practices contain information bearing upon the recording of messages for which amounts may be payable to MCI. Adjustment shall be made by the proper party to compensate for any errors or omissions disclosed by such examination or audit. Neither such right to examine and audit nor the right to receive such adjustment shall be affected by any statement to the contrary, appearing on checks or otherwise, unless such statement expressly waiving such right appears in a letter signed by the authorized representative of the party having such right and delivered to the other party. All information received or revieved by MCI or its authorized representative is to be considered confidential and is not be be distributed, provided or disclosed in any form to anyone not involved in the audit, nor is such information to be used for any other purpose.

Each party shall bear its own expenses in connection with the conduct of the audit. Materials of BOC revieved by MCI in the course of an audit shall be deemed confidential and their use by MCI shall be limited to the conduct of the audit. Observation or monitoring of employee contacts with customers is prohibited.

Nothing in this Agreement shall be construed to require BOC to provide MCI with access to any records of whatever kind which contain information pertaining to any entity other than MCI. In the event that MCI requests access to such records, and the records contain commingled information relating to MCI and one or more other entities, BOC shall attempt to mask the information relative to other entities. In the event masking is not practicable, BOC shall provide such information subject to execution by MCI of individual non-disclosure agreements obligating MCI representatives not to use or disclose information unrelated to MCI for any purpose other than the conduct of the audit. MCI review of any records containing commingled information shall at all time be under the supervision of BOC and no copies of such material shall be made.