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DOCKET NO.

Public Utilities Commission of the State of South Dakota

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TC00-104

Lance J.M. Steinhart  
Attorney At Law  
6455 East Johns Crossing  
Suite 285  
Duluth, Georgia 30097

Also Admitted in New York  
and Maryland

Telephone: (770) 232-9200  
Facsimile: (770) 232-9208

June 27, 2000

**VIA OVERNIGHT DELIVERY**

Mr. William Bullard  
Executive Director  
South Dakota Public Utilities Commission  
500 East Capitol Avenue  
Ave-Pierre, SD 57501-5070  
(605) 773-3201

RECEIVED

JUN 28 2000

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

Re: PT-1 Counsel Inc.

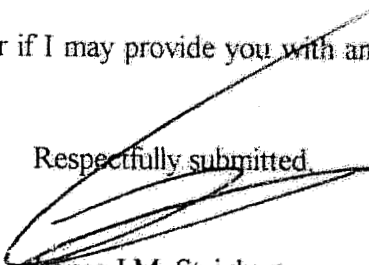
Dear Mr. Bullard:

Enclosed please find one original and ten (10) copies of PT-1 Counsel Inc's Application for Registration of a Telecommunications Company.

I have also enclosed a check in the amount of \$250.00 payable to the "South Dakota Public Utilities Commission" for the filing fee, and an extra copy of this cover letter to be date stamped and returned to me in the enclosed self-addressed prepaid envelope.

If you have any questions or if I may provide you with any additional information, please do not hesitate to contact me.

Respectfully submitted,

  
Lance J.M. Steinhart  
Attorney for PT-1 Counsel Inc.

Enclosures

cc: Gary Wasserson

Docket No.

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

Application is hereby made to the South Dakota Public Utilities Commission for an Order authorizing PT-1 Counsel Inc. ("Applicant") to register as a telecommunications company within the State of South Dakota. The following information is furnished in support thereof:

- PT-1 Counsel Inc.  
280 Park Ave., West Bldg., 28th Floor  
New York, New York 10017  
Telephone: (212) 286-5000  
Toll-Free Customer Service: (800) 513-6947

- PT-1 Counsel



3. Applicant's corporate information:

Applicant was organized in the State of Delaware on May 25, 2000. A copy of the Applicant's Certificate of Incorporation is attached hereto as Exhibit A. A copy of Applicant's Certificate of Authority to transact business as a foreign corporation in the State of South Dakota is attached hereto as Exhibit B. Applicant is a wholly-owned subsidiary of WebToTel, Inc., a privately-held Delaware corporation, which is in turn wholly-owned by Counsel Communications, LLC, a Delaware limited liability company, which is in turn wholly-owned by Counsel Corporation, a publicly held corporation

The Applicant has no principal office in South Dakota. The name and address of the Applicant's registered agent is:

National Corporate Research, Ltd.  
C/O Marilyn Person  
819 West Third  
Pierre, South Dakota 57501

The names and address of each corporation, association, partnership, cooperative, or individual holding a 20% or greater ownership or management interest in the Applicant corporation and the amount and character of the ownership or management interest are as follows:

Name and Address	Shares Owned	Percentage of all Shares Issued and Outstanding and Voting Control
WebToTel, Inc.	1,000	100%

All of the above can be reached through the company as set forth in Section 1 above.

4. Partnership Information:

Not Applicable.

5. Description of Services Applicant intends to offer:

Applicant is a switch-based reseller which intends to offer 1+ and 101XXXX direct outbound dialing, 800/888 toll-free inbound dialing, travel card service, and prepaid calling card service.

6. Means by which the Applicant intends to provide services:

Applicant does not own or maintain any transmission facilities or switching equipment in the State of South Dakota. The Applicant will provide services through WorldCom, AT&T, Sprint and various other facilities based providers. As a reseller, Applicant has no points of presence in the State of South Dakota, thus Applicant neither owns, leases, nor operates any switching, transmission, or other physical facilities in the State of South Dakota, and no such facilities will be used by Applicant in providing service in the State of South Dakota. Rather, Applicant will be engaged in reselling services provided by facilities-based carriers within the State of South Dakota.

7. Geographic Areas in which services will be offered:

Applicant intends to provide services on a statewide basis.

8. Financial Qualifications:

Applicant is financially qualified to provide intrastate interexchange telecommunications services within South Dakota. In particular, Applicant has adequate access to the capital necessary to fulfill any obligations it may undertake with respect to the provision of intrastate telecommunications

services in the State of South Dakota. See Exhibit C, which is attached hereto, Applicant's ultimate parent company, Counsel Corporation's financial statements for years ended December 31, 1998 and December 31, 1999, which demonstrates that Applicant has the financial ability to provide the services that it proposes to offer. Counsel Corporation will provide any necessary funding to Applicant.

9. Applicant's complaints and regulatory matters contact and how Applicant handles customer billings and customer service matters.

All inquiries regarding regulatory matters should be addressed to:

Gary Wasserson, President  
280 Park Ave., West Bldg., 28th Floor  
New York, New York 10017  
Telephone: (212) 286-5000  
Facsimile: (212) 867-3226  
E-Mail: ptlcorp@pt-1.com

All inquiries regarding complaints should be addressed to:

Doreen Wilburn, Customer Service Manager  
280 Park Ave., West Bldg., 28th Floor  
New York, New York 10017  
Telephone: (212) 286-5000; (800) 513-6947 (toll-free)  
Facsimile: (212) 867-3226  
E-Mail: ptlcs@pt-1.com

The Applicant's customers will be direct billed utilizing "real-time" completed call detail information from Applicant's underlying carriers, or will be billing by the customer's local exchange carrier. Applicant's toll-free number will be on all invoices and prepaid calling cards and customer service will be provided in-house by the Applicant.

10. Regulatory Status:

Applicant is currently in the process of obtaining all required authorizations from the state regulatory agencies. Applicant is currently authorized to provide service in Iowa, Michigan, Montana, New Jersey, Texas, Utah, Virginia, and Wyoming.

The Applicant is in good standing with the appropriate regulatory agency in the states where it is registered or certified. The Applicant has never been denied registration or certification nor withdrawn its request for registration or certification in any state.

11. Description of Marketing

Applicant intends to market its services to primarily to residential customers and to small to mid-sized businesses. All sales personnel will have telecommunications service experience. Applicant will market through direct sales by employees, and through distributors of prepaid calling cards, and mass media for casual calling and other services. Applicant does not intend to engage in multilevel marketing at this time. Applicant's marketing materials are currently being developed and are not available at this time.

12. Cost Support:

Applicant intends to provide services at a price above its cost.

13. Federal Tax Identification Number:

13-4119107

14. The Number and Nature of Complaints filed against the Applicant with any state or federal regulatory commission regarding the unauthorized switching of a customer's telecommunications provider and the act of charging customers for services that have not been ordered:

None

15. Tariff

A copy of Applicant's proposed tariff is attached hereto as Exhibit E.

WHEREFORE, the undersigned Applicant requests that the South Dakota Public Utilities Commission enter an order granting this application.

DATED this 27 day of June, 2000.

PT-1 Counsel Inc.


By:   
Lance J.M. Steinhart, Its Counsel

6455 East Johns Crossing  
Suite 285  
Duluth, Georgia 30097  
(770) 232-9200

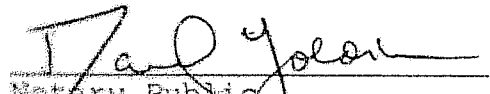
State of New York

County of New York

Gary Wasserson, being first duly sworn, deposes and says that he/she is the President of PT-1 Counsel Inc., the Applicant in the proceeding entitled above, that he/she has read the foregoing application and knows the contents thereof; that the same are true of his/her knowledge, except as to matters which are therein stated on information or belief, and to those matters he/she believes them to be true.

  
Gary Wasserson  
President

Subscribed and sworn to before this 20<sup>th</sup> day of June, 2000.

  
Notary Public

DANIEL GOLDSMITH  
Notary Public, State of New York  
No: 02GO6020148  
Qualified in New York County  
Commission Expires February 22, 2001.

My Commission expires:

LIST OF EXHIBITS

- A - CERTIFICATE OF INCORPORATION
- B - CERTIFICATE OF AUTHORITY
- C - MARKETING MATERIAL
- D - FINANCIAL INFORMATION
- E - PROPOSED TARIFF



EXHIBIT A - CERTIFICATE OF INCORPORATION

**NEXT**

**DOCUMENT (S)**

**BEST IMAGE**

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FROM

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State of Delaware

PAGE 1

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "PT-1 COUNSEL INC.", FILED IN THIS OFFICE ON THE TWENTY-FIFTH DAY OF MAY, A.D. 2000, AT 4 O'CLOCK P.M.

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



3234808 2100

*Edward J. Freel*  
Edward J. Freel, Secretary of State

AUTHENTICATION:

0462861

**CERTIFICATE OF INCORPORATION  
OF  
PT-1 COUNSEL INC.**

- 1) The name of the corporation is PT-1 Counsel Inc. (the "Corporation").
- 2) The address of the registered office of the Corporation in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of the registered agent of the Corporation at such address is The Corporation Trust Company.
- 3) The purposes for which the Corporation is formed are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.
- 4) The aggregate number of shares which the Corporation shall have authority to issue shall be 1,000 shares of Common Stock, par value \$.001 per share.
- 5) The name and mailing of the incorporator is as follows:

<u>Name</u>	<u>Address</u>
Daniel Y. Gielchinsky	Wollmuth Maher & Deutsch 500 Fifth Avenue Suite 1200 New York, New York 10110

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

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

FROM

(TUE) 5.30'00 14:36/ST. 14:34/NO. 4863796547 P 7

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IN WITNESS WHEREOF, the undersigned being the incorporator hereinbefore named executes, signs and acknowledges this Certificate of Incorporation, this 25th day of May, 2000 and affirms the statements contained herein as true under penalty of perjury.



Name: Daniel Y. Gischinsky  
Sole Incorporator

EXHIBIT B - CERTIFICATE OF AUTHORITY

# State of South Dakota



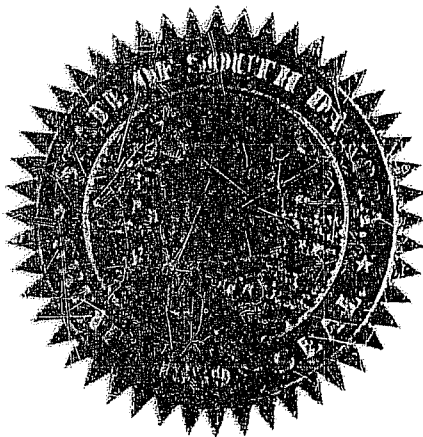
## OFFICE OF THE SECRETARY OF STATE

### Certificate of Authority

I, **JOYCE HAZELTINE**, Secretary of State of the State of South Dakota, hereby certify that the Application for a Certificate of Authority of **PT-1 COUNSEL INC. (DE)** to transact business in this state duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

**ACCORDINGLY** and by virtue of the authority vested in me by law, I hereby issue this Certificate of Authority and attach hereto a duplicate of the application to transact business in this state.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this June 21, 2000.



Joyce Hazeltine  
Secretary of State

EXHIBIT C - MARKETING MATERIAL  
Not Available



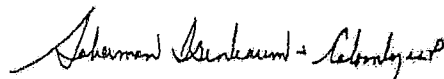
EXHIBIT D - FINANCIAL INFORMATION

To the Shareholders of Counsel Corporation

We have audited the consolidated balance sheets of Counsel Corporation as at December 31, 1999 and December 31, 1998 and the consolidated statements of earnings, shareholders' equity and cash flows for the two years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and December 31, 1998 and the results of its operations and the changes in its cash flows for the two years then ended in accordance with Canadian generally accepted accounting principles.



Soberman Isenbaum & Colomby LLP  
Chartered Accountants

Toronto, Canada  
April 7, 2000

# CONSOLIDATED BALANCE SHEETS

(In 000s of US\$)

At December 31

	1999	1998
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 19,788	\$ 15,998
Short term investments (Note 5)	71,940	2,656
Amounts receivable	9,527	4,667
Income taxes recoverable	5,268	1,781
Inventory	7,419	4,215
Mortgages and other advances (Note 6)	1,679	159
Other assets (Note 7)	2,110	2,610
Deferred income taxes (Note 15)	1,948	704
Discontinued assets (Note 3)	2,388	207,240
	122,067	240,030
Mortgages and other advances (Note 6)	4,264	4,382
Other assets (Note 7)	15,518	14,044
Portfolio investments (Note 8)	3,013	—
Equity in Impower, Inc. (Note 4)	9,735	—
Long term care facilities (Note 9)	24,674	25,497
Product acquisition costs	99,721	108,362
Discontinued assets (Note 3)	—	103,150
	\$ 278,992	\$ 495,465
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Bank indebtedness	\$ —	\$ 76,500
Accounts payable and accrued charges	27,078	19,993
Deferred revenue	995	2,115
Mortgages and loans payable (Note 10)	343	4,358
Discontinued liabilities (Note 3)	—	167,249
	28,416	270,175
Deferred revenue	1,923	1,860
Mortgages and loans payable (Note 10)	20,325	20,645
Other long term debt (Note 11)	84,659	84,659
Deferred income taxes (Note 15)	16,646	843
	151,969	378,182
Minority interest	4,679	984
Shareholders' equity	122,344	116,299
	\$ 278,992	\$ 495,465

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

On behalf of the Board

Allan Silber,  
Director

Morris Perlis,  
Director

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In 000s of US\$)

Year ended December 31

	Common Shares (Note 12)		Equity Component Debtures Payable (Note 11)	Retained Earnings (Deficit)	Total Share- holders' Equity
	No. of Shares (In 000s)	Amount			
Balance, December 31, 1997	27,947	\$125,127	\$ 5,341	\$ 10,696	\$141,164
Shares issued	90	640			640
Shares purchased for cancellation	(336)	(1,476)		(1,251)	(2,727)
Interest on equity component of debtures payable				(390)	(390)
Income tax benefit on employee stock options				236	236
Net loss				(22,624)	(22,624)
Balance, December 31, 1998	27,701	124,291	5,341	(13,333)	116,299
Shares issued	20	32			32
Shares purchased for cancellation	(2,188)	(8,072)		(5,660)	(13,732)
Interest on equity component of debtures payable				(595)	(595)
Dividends				(26,357)	(26,357)
Net earnings				46,697	46,697
Balance, December 31, 1999	25,533	\$116,251	\$ 5,341	\$ 752	\$122,344

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

# CONSOLIDATED STATEMENTS OF EARNINGS

(In 000s of US\$ except per share amounts)

Year ended December 31

	1999	1998
Revenues	\$ 75,701	\$ 53,543
Earnings		
From operating businesses	\$ 15,614	\$ 1,307
Pharmaceutical products	40	—
e-Commerce	—	466
Clinical laboratory	681	1,212
Long term care	1,929	2,232
Realization of value in operating businesses (Note 14)	5,803	7,908
Interest and other income	24,067	13,125
Earnings before undernoted expenses	3,893	3,008
Corporate	8,962	3,042
Interest	7,204	1,372
Amortization	4,008	5,703
Earnings from operations	(148,456)	—
Writedown of investments	(144,448)	5,703
Earnings (loss) before income taxes and minority interest	(54,001)	(871)
Income tax recovery (Note 15)	(1,079)	(111)
Minority interest	(89,368)	6,685
Earnings (loss) from continuing operations	150,594	3,793
Earnings from discontinued pharmacy services operations after tax (Note 3)	(14,529)	(33,102)
Loss from discontinued home health care operations after tax (Note 3)	\$ 46,697	\$ (22,624)
Net earnings (loss)		
Earnings per share — basic		
Earnings (loss) from continuing operations	\$ (3.43)	\$ 0.22
Earnings (loss) from discontinued operations after tax	5.19	(1.05)
Net earnings (loss) — basic	\$ 1.76	\$ (0.83)
Earnings (loss) per share — fully diluted		
Earnings (loss) from continuing operations	\$ (3.43)	\$ 0.22
Earnings (loss) from discontinued operation after tax	4.78	(1.05)
Net earnings (loss) — fully diluted	\$ 1.35	\$ (0.83)
Weighted average number of common shares outstanding (in 000s)	26,258	27,881

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

Cash provided by (used in) operating activities		
Earnings (loss) from continuing operations	\$ (89,368)	\$ 6,685
Non-cash items included in net earnings		
Writedown of investments	148,456	-
Amortization	7,204	1,372
Amortization of deferred revenue	(1,057)	(1,703)
Deferred income taxes	(53,334)	163
Minority interest	(1,079)	(111)
Equity in earnings of affiliate	(29)	-
Gain on realization of value in operating businesses	(1,929)	(2,232)
(Increase) decrease in amounts receivable	(3,146)	2,437
Increase in income taxes recoverable	(2,147)	(1,028)
Increase in inventory	(2,891)	(4,170)
(Increase) decrease in other assets	739	(2,807)
Increase in accounts payable	1,107	11,368
Discontinued operations	-	(7,948)
Net cash provided by operating activities	2,526	2,026
Cash provided by (used in) investing activities		
Investment in Impower, Inc.	(10,000)	-
Investment in portfolio companies	(3,013)	-
Acquisition of pharmaceutical product businesses	(2,483)	(114,482)
Mortgages and other advances - lending	(1,402)	-
Mortgages and other advances - repayments	655	530
Purchase of property and equipment	(1,638)	-
Drug development costs	(482)	-
Proceeds on realization of value in operating businesses	1,690	3,070
Disposition of interest in pharmaceutical products business	4,627	-
Other investments	(6,419)	333
Discontinued operations	156,397	-
Net cash provided by (used in) investing activities	137,932	(110,549)
Cash provided by (used in) financing activities		
Increase (decrease) in bank indebtedness	(76,500)	75,500
Borrowings (repayments) of mortgages and loans payable	(4,312)	3,056
Other long term debt	-	40,000
Issuance of capital stock	32	640
Shares purchased for cancellation	(13,732)	(2,727)
Interest paid on equity component of debentures payable	(595)	(390)
Dividends paid	(26,357)	-
Discontinued operations	(15,204)	-
Net cash provided by (used in) financing activities	(136,668)	116,079
Increase in cash and cash equivalents	3,790	7,556
Cash and cash equivalents, beginning of year	15,998	8,442
Cash and cash equivalents, end of year	\$ 19,788	\$ 15,998
Supplemental disclosure of cash flow information		
Cash paid during the period for items relating to continuing operations		
Interest	\$ 7,234	\$ 4,624
Income tax refunds	\$ (1,082)	-
Income tax payments	\$ 1,751	-
Portion of proceeds on sale of pharmacy services business derived from capital stock of the purchaser	\$ 207,174	-

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in 000s except per share amounts) December 31, 1999 and 1998

The consolidated financial statements of Counsel Corporation (the "Company") are prepared in accordance with accounting principles generally accepted in Canada and are presented in United States ("US") dollars. The accounting principles used differ in certain respects with those generally accepted in the US, as described in Note 21.

The consolidated financial statements include the accounts of the Company and all companies in which it has voting control. The results of operations of companies acquired during the years are included from the dates of acquisition.

The Company's principal operating subsidiaries and its respective voting interest in each subsidiary at December 31, 1999 and 1998 are as follows:

	1999	1998
Counsel Healthcare Assets Inc. (i)	—	100%
FARO Pharmaceuticals Inc. ("FARO") (Note 4)	78.3%	90.4%
Sage BioPharma Inc. ("Sage") (Note 4) (ii)	—	61%
Stadtlander Drug Company Inc. ("Stadtlander") (Note 3 (a)) (iii)	—	100%

- (i) Effective at the close of business December 31, 1998 the Company amalgamated with its wholly owned subsidiary, Counsel Healthcare Assets Inc.
- (ii) Effective December 31, 1999, FARO acquired all of the outstanding shares of Sage.
- (iii) Effective January 21, 1999 the Company sold Stadtlander.

Corporations over which voting control does not exist but significant influence is exercised are carried on the equity method. The Company's proportionate share of revenues from these corporations is included in the Company's revenues. Amortization of the difference between acquisition cost and the underlying fair value of the net identifiable assets acquired at the date of acquisition is included in amortization expense.

The principal operating affiliates over which the Company exerts significant influence and its respective voting interest in each affiliate at December 31, 1999 and 1998 are as follows:

	1999	1998
Impower, Inc. ("Impower") (Note 4)	25.2%	—
American HomePatient Inc. ("AHOM") (Note 3 (b))	26.3%	26.6%

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

The accounts of integrated Canadian entities are translated into US dollars at the exchange rate prevailing at the year end for all monetary assets and liabilities and at historical exchange rates for all non-monetary assets and liabilities. Revenues and expenses, other than amortization and similar accounts which are translated at historical rates, are translated at average exchange rates during the year. Exchange gains or losses arising from the translation of integrated operations have been included in earnings.

Short term investments are carried at the lower of cost and market value. Unrealized losses in value are included in the determination of earnings as a writedown of investments.

Inventory is valued at the lower of cost (first-in, first-out) or market and is comprised of finished goods and samples.

Portfolio investments are carried at cost. When there has been a loss in value of an investment that is other than temporary, the investment is written down to its estimated net realizable value.

- (i) Debt instruments of the Company that contain an option to convert such instruments into equity of the Company by the issuer and holder have both a financial liability and an equity component. At the time of issuance, the face amount of the debt instrument is separated into its liability and equity components and presented on the balance sheet as long term debt and shareholders' equity, respectively. The liability component is derived by computing the present value of the future principal and interest payment obligations under the debt instrument at the prevailing interest rate at the time of issuance for debt securities without conversion features. The equity component is the residual after deduction of the liability component from the face amount of the debt instrument. Interest on such debt instruments relating to the financial liability component is charged to earnings, and interest relating to the equity component is charged to retained earnings.
- (ii) The carrying amounts reported on the balance sheet for amounts receivable, bank indebtedness and accounts payable and accrued charges approximate their fair values. The fair values of other financial instruments are disclosed in Notes 5, 8 and 16. The estimated fair value of marketable securities carried at cost are based on quoted market values. Other fair value amounts are based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value. The fair value estimates are based on pertinent information available to management as at the balance sheet date. Such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

Costs to acquire the rights to pharmaceutical products are capitalized and amortized on a straight-line basis over 20 years. Accumulated amortization of these costs amounted to \$5,655,000 at December 31, 1999 (1998 - \$328,000). The carrying value of unamortized product acquisition costs is evaluated to determine whether any impairment of these assets has occurred or whether any revision to the related amortization period should be made. This evaluation is based on management's projections of the undiscounted future cash flows associated with each product. Any impairment would be recognized by a writedown of the applicable asset.

- (i) Long term care facilities are recorded at the lower of cost and estimated net recoverable amount. Amortization is provided using the sinking fund method, under which an increasing amount, consisting of a fixed annual sum together with interest thereon compounded at a rate of 5% per annum, is charged to earnings so as to fully amortize the buildings over a 33-year period.



- (ii) Furniture, equipment and leasehold improvements are recorded at cost with amortization being provided over their estimated useful lives as follows:

Furniture and equipment – straight-line or accelerated method over periods from 3 to 7 years and declining balance method at 20% per annum

Leasehold improvements – straight-line over the shorter of the term of the lease or estimated useful life of the asset

- (iii) Financing costs are amortized over the term of the related debt.

- (iv) Goodwill, representing the excess of cost over the fair value of net identifiable assets acquired, is being amortized by the straight-line method over various periods ranging from 5 to 40 years. The Company annually evaluates whether there has been a permanent impairment in the value of goodwill. Factors considered in this evaluation include an assessment of historical income trends and future projected earnings from operations of businesses acquired, on an undiscounted basis, as well as other market indicators.

Deferred revenue is being amortized on a straight-line basis over periods ranging from 5 to 10 years.

Cash and cash equivalents are comprised of cash and short term market investments with original maturities of three months or less. At December 31, 1999 cash equivalents were \$11,700,000 (1998 – \$2,284,000).

The Company and FARO have stock-based compensation plans, which are described in Note 13. No compensation expense is recognized for these plans when stock or stock options are issued to employees and directors. Any consideration paid by employees and directors on exercise of stock options or purchase of stock is credited to share capital.

Certain comparative figures have been reclassified to conform to current year financial statement presentation.

Effective January 1, 1999, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to the presentation of cash flow information. Cash flow information for the prior year has been restated to conform to the new recommendations. There was no material effect to the statements of cash flows due to the adoption of these new recommendations.

Under the new recommendations, non-cash transactions are excluded from the statement of cash flows and are disclosed elsewhere in the financial statements. Cash equivalents are restricted to investments that are readily convertible into a known amount of cash, that are subject to minimal risk of changes in value and which have an original maturity of three months or less. As well, changes in short term borrowings, other than temporary overdrafts which are an integral part of the Company's day-to-day cash management process, are treated as financing activities.

Effective January 1, 1999, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes. This change in accounting policy did not have a material impact in the calculation of the current or prior year's income tax expense nor on the future tax assets and liabilities, and has therefore been accounted for prospectively.

Under the new recommendations, the liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of the new recommendations, income tax expense was determined using the deferral method of tax allocation. Income tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and measured at the tax rate in effect in the year the difference originated.

Discontinued pharmacy services operations include the specialty retail pharmacy business of Stadtlander and the Company's interest in the institutional pharmacy business of PharMerica Inc. ("PharMerica"). During 1999, the Company's plan of disposal for this segment was completed. On January 21, 1999 the Company sold Stadtlander to Bergen Brunswick Corporation ("Bergen") for net sale proceeds of \$333,852,000, comprised of \$171,374,000 in cash and \$162,478,000 in stock, consisting of 5,676,101 common shares of Bergen. The disposition resulted in a gain of \$188,986,000 after income taxes of \$71,214,000 (see Note 15). Included in the determination of the after tax gain is the cost of cancellation of all Stadtlander outstanding employee and director stock options aggregating \$25,058,000. Of this amount, \$19,874,000 was paid to officers of the Company.

On April 26, 1999, Bergen acquired 100% of the stock of PharMerica in exchange for .275 of a share of Bergen for each outstanding share of PharMerica. Proceeds of \$44,696,000 for the Company's interest in PharMerica were based on the fair value of the 2,156,554 shares of Bergen received. The exchange of the Company's interest in PharMerica for Bergen stock resulted in an after tax loss of \$38,392,000 after an income tax recovery of \$3,147,000.

Summarized below is selected financial information for discontinued pharmacy services operations for 1999 and 1998:

	1999	1998
Revenue	\$ —	\$395,371
After tax earnings from discontinued operations prior to measurement date	\$ —	\$ 3,793
Net gain from discontinued operations after tax	150,594	—
Earnings from discontinued operations after tax	\$150,594	\$ 3,793

Included in after tax earnings from discontinued operations prior to measurement date is interest on corporate debentures allocated based on the ratio of net assets of discontinued pharmacy services operations to consolidated net assets.

Effective November 6, 1998, the Company adopted a plan to dispose of its home health care operations through the disposition of its interest in AHOM. Accordingly, the Company adjusted the carrying value of its investment in AHOM to reflect both the estimated future operating losses and estimated net realizable value of its investment. During 1999, the market value of the Company's interest in AHOM declined from its December 31, 1998 level. As a result, management determined that a sale of the Company's interest in AHOM did not offer an optimal return to the Company's shareholders. Subsequent to the year end, a dividend in kind of the Company's interest in AHOM was declared, resulting in an after tax loss of \$14,529,000.

Summarized below is selected financial information for discontinued home health care operations for 1999 and 1998:

	1999	1998
Revenue	\$ —	\$ 91,390
After tax earnings from discontinued operations prior to measurement date	\$ —	\$ (1,555)
Net loss from discontinued operations after tax	(14,529)	(31,547)
Loss from discontinued operations after tax	\$ (14,529)	\$ (33,102)

#### Impower, Inc.

On October 22, 1999, the Company acquired a 25.2% interest in Impower for cash consideration of \$10,000,000. Impower provides transaction-based Internet direct marketing and electronic database management products and services. The acquisition has been accounted for under the purchase method of accounting. The cost of the acquisition was allocated on the basis of the fair market value of assets acquired (\$2,893,000) and liabilities assumed (\$445,000), resulting in \$7,552,000 of unallocated excess of cost over the net assets acquired, which is being amortized over a period of 5 years. The Company is committed to the acquisition of an additional 8.4% of Impower for cash consideration of \$5,000,000, after which the Company will hold a 33.6% interest.

#### FARO Pharmaceuticals Inc.

On November 12, 1998, the Company completed the acquisition of an 82.5% interest in FARO for cash consideration of \$5,484,000. On December 15, 1998, a further 7.9% interest was acquired for cash consideration of \$10,000,000 resulting in a 90.4% interest at December 31, 1998. These acquisitions have been accounted for under the purchase method of accounting. The cost of these acquisitions was allocated on the basis of the fair market value of the assets acquired (\$15,280,000) and the liabilities assumed (\$1,979,000). These valuations gave rise to \$3,446,000 of unallocated excess of cost over net assets acquired, which is being amortized over a period of 20 years. Minority interest at December 15, 1998 amounted to \$1,263,000.

On December 15, 1998, FARO acquired all rights including trademarks, copyrights and regulatory filings to certain pharmaceutical products from Glaxo Wellcome Inc. for a total consideration of \$105,356,000 comprised of \$65,356,000 in cash and \$40,000,000 in a vendor note. The cost of the acquisition is being amortized over a period of 20 years (Note 1 (h)).

As a result of a FARO private placement on March 17, 1999, the exercise of pre-emptive rights, the exercise of employee stock options in FARO during 1999 and the acquisition of Sage by FARO, effective December 31, 1999, the Company's interest in FARO decreased from 90.4% at December 31, 1998 to 78.3% at December 31, 1999. Since both FARO and Sage were controlled by the Company, the acquisition was accounted for in a similar manner to a pooling of interests.

The Company has warrants to acquire an additional 2.1% of FARO for cash consideration of \$4,125,000. The warrants expire as to 88% in 2001 and the remainder in 2002. At December 31, 1999, the Company's fully diluted ownership interest in FARO is 75.6%.

#### Sage BioPharma Inc.

On June 30, 1998, the Company acquired a controlling interest in Sage for nominal consideration. Sage is engaged in providing hormonal therapy products in the United States. At December 31, 1998, the Company

had invested \$1,470,000 in preferred stock of Sage. Also on June 30, 1998, Sage acquired the rights to market certain hormonal pharmaceutical products in North America for a period of 10 years from the date those products are approved for distribution.

In January 1999, Sage acquired substantially all of the net assets of Advanced Reproductive Technologies, Inc. for \$275,000 including note consideration of \$115,000. The acquisition has been accounted for under the purchase method of accounting. The cost of the acquisition was allocated on the basis of the fair market value of assets acquired (\$60,000) and liabilities assumed (\$61,000). The valuation resulted in \$276,000 of unallocated excess of cost over net liabilities assumed, which is being amortized over a period of 10 years.

In March 1999, Sage acquired substantially all of the net assets of Fertility Technologies, Inc. for cash consideration of \$2,323,000. The acquisition has been accounted for under the purchase method of accounting. The cost of the acquisition was allocated on the basis of the fair market value of assets acquired (\$701,000) and liabilities assumed (\$295,000). The valuation resulted in \$1,917,000 of unallocated excess of cost over net assets acquired, which is being amortized over a period of 10 years.

During 1999, the Company increased its investment in preferred stock of Sage from \$1,470,000 to \$6,500,000. Effective December 31, 1999, due to FARO's purchase of Sage, the Company exchanged its common and preferred stock of Sage, for common and preferred stock of FARO.

Summarized below is selected financial information relating to short term investments at December 31, 1999.

	Number of Shares	Carrying Amount	Fair Value
Bergen Brunswick Corporation	7,832	\$ 65,090	\$ 65,090
RioCan REIT	1,309	6,216	7,841
Other		634	638
		\$ 71,940	\$ 73,569

The Company's investment in Bergen acquired as partial consideration for the sale of Stadlander to Bergen and the share for share exchange of PharMerica for Bergen (see Note 3 (a)) had an initial accounting basis of \$207,174,000. Subsequent to December 31, 1999 management determined that the Bergen stock should be reclassified from portfolio investments to short term investments. Consequently, this investment has been written down by \$142,084,000 based on the quoted market price of \$8.31 per share at December 31, 1999.

The mortgages and other advances bear interest at rates ranging from 0% to 9.25% (1998 - 0% to 9.25%) with a weighted average year end rate of 2.6% (1998 - 3.2%) and are receivable as follows:

2000	\$ 1,679
2001	1,039
2002	-
2003	-
2004	1,554
Thereafter	1,671
	\$ 5,943

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Approximately 57.4% (1998 — 65.5%) of mortgages and other advances are receivable in Canadian dollars.

Included in mortgages and other advances are non-interest bearing loans due from executive officers for the purchase of shares of the Company. Summarized below is selected financial information for share purchase loans at December 31, 1999:

Date of Advance	Carrying Amount	Date of Maturity	Number of Shares Held as Security	Market Value of Shares at December 31, 1999
January 19, 1996	\$ 1,039	(see Note 13 (a) (ii))	300	\$ 600
November 30, 1999	83	November 29, 2004	50	100
December 17, 1999	1,471	December 16, 2004	852	1,704
	\$ 2,593		1,202	\$ 2,404

Other assets are as follows:

	1999	1998
Capital assets (net of amortization of \$1,332; 1998 — \$815)	\$ 3,390	\$ 1,622
Other investments	4,508	6,840
Financing costs	1,574	2,976
Prepaid expenses	1,170	686
Security deposits	118	121
Goodwill (net of amortization of \$697; 1998 — \$293)	6,868	4,409
	17,628	16,654
Less — current portion	(2,110)	(2,610)
	\$ 15,518	\$ 14,044

Summarized below is selected financial information relating to portfolio investments at December 31, 1999.

	Number of Shares	Carrying Amount	Fair Value
Delano Technologies Inc.	845	\$ 2,000	\$ 9,290
HIP Interactive Inc.	1,500	1,013	3,116
		\$ 3,013	\$ 12,406

The Company's investment in long term care facilities is as follows:

	1999	1998
Land	\$ 2,226	\$ 2,226
Buildings and improvements	28,439	28,439
Equipment	4,341	4,341
Accumulated amortization	(10,332)	(9,509)
	\$ 24,674	\$ 25,497

The mortgages and loans secured by long term care facilities bear interest at rates ranging from 7.93% to 8.55% (1998 - 7.93% to 9.0%) with a weighted average year end rate of 8.30% (1998 - 8.41%) and are repayable as follows:

2000	\$ 343
2001	225
2002	225
2003	225
2004	7,256
Thereafter	12,394
	\$ 20,668

Approximately 64.5% (1998 - 61.7%) of mortgages and loans payable are repayable in Canadian dollars.

Other long term debt is as follows:

	1999	1998
Debentures payable	\$ 44,659	\$ 44,659
Note payable	40,000	40,000
	\$ 84,659	\$ 84,659

On October 31, 1996, the Company issued \$50,000,000 of convertible unsecured subordinated debentures bearing interest at 6% per annum payable semi-annually on April 30 and October 31 and maturing on October 31, 2003.

The debentures had no redemption privileges on or prior to October 31, 1998. After October 31, 1998 and on, or prior to, November 1, 2001, the Company may redeem the debentures at par plus accrued interest, but only if the weighted average price at which the common shares of the Company have traded during the 20 consecutive trading days immediately prior to the redemption date is at least 125% of the conversion price if notice to redeem is given before November 1, 2000 and 115% of the conversion price if given on or after November 1, 2000 and before November 1, 2001. The Company may redeem the debentures at any time on or after November 1, 2001 at par plus accrued interest.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company may elect to satisfy its obligation to pay principal upon redemption or at maturity by the issuance of its own common shares to the holders of the debentures. The number of shares to be issued is obtained by dividing the face amount of the debentures by 95% of the weighted average trading price of the common shares for the 20 consecutive trading days, ending on the fifth trading day prior to the date of notice of such election.

The debentures are convertible into common shares of the Company at the option of the holder at any time prior to the earlier of the maturity date and the last business day immediately preceding the date fixed for redemption at a conversion price of \$11.73 per share.

As a result of the debentures being convertible into common shares of the Company at the option of the issuer and holder, the debentures have both a liability and equity component. At the date of issue, the following represent these components:

Face amount	\$ 50,000
Financial liability component being the present value of future principal and interest obligations at a discount rate of 8.15%	44,659
Equity component	\$ 5,341

On December 15, 1998, a vendor note in the amount of \$40,000,000 was assumed as part of the consideration for the acquisition of all rights to certain pharmaceutical products by FARO (Note 4). The note is payable in equal quarterly principal instalments of \$3,333,333, commencing March 15, 2001 and concluding on December 15, 2003. The note bears interest at a rate of 2% above the posted 90-day LIBOR as of the first day of each quarter and is payable quarterly. At December 31, 1999, the note was secured by the pledge of 5,715,101 shares of Bergen (see Notes J and S).

	Number of Shares 1999
Authorized:	
Preferred shares	Unlimited
Common shares	Unlimited

During 1999, the Company replaced its special shares with one class of preferred shares issuable in series and changed the authorized number of its common shares to an unlimited number.

	Number of Shares		Amount	
	1999	1998	1999	1998
Issued:				
Common shares	25,533	27,701	\$ 116,251	\$ 124,291

During 1999, pursuant to normal course issuer bids, the Company acquired 2,188,500 common shares for cancellation (1998 - 335,800 common shares).



At December 31, 1999, the Company had three stock-based compensation plans, comprised of two fixed stock option plans and one share purchase plan.

(i) Fixed stock option plans

Under the 1992 Director, Officer and Employee Stock Option Plan, the Company may grant options to its directors, officers and employees for up to 2,700,000 common shares. Under the 1997 Stock Option Plan, the Company may grant options to its directors, officers, employees and any other person or company engaged to provide ongoing management or consulting services for the Company, for up to 4,200,000 common shares. Under both plans, the exercise price of each option equals the market price of the Company's common shares on the date of grant. The maximum term of the grant is 6 years from the date of initial vesting of any portion of the grant. Unless otherwise provided, options vest 20% on the date of grant and 20% on each of the first through fourth anniversaries of the grant date. All unvested options vest upon a change of control of the Company.

A summary of the status of the Company's fixed stock option plans at December 31, 1999 and 1998, and changes during the years ended December 31, 1999 and 1998, is presented below:

	1999		1998	
	Number of Shares	Weighted Average Exercise Price (in C\$)	Number of Shares	Weighted Average Exercise Price (in C\$)
Fixed stock options				
Outstanding at beginning of year	3,119	\$ 14.76	3,146	\$ 14.58
Granted	477	10.17	73	14.54
Exercised	(20)	2.40	(50)	11.74
Forfeited	(6)	17.53	(50)	13.66
Outstanding at end of year	3,570	\$ 14.21	3,119	\$ 14.76
Options exercisable at end of year	2,961	\$ 14.74	2,847	\$ 14.73

The following table summarizes information about fixed stock options outstanding and exercisable at December 31, 1999.

Range of Exercise Prices (in C\$)	Options Outstanding			Options Exercisable		
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price (in C\$)	Number Exercisable	Weighted Average Exercise Price (in C\$)	
\$2.40	92	.49 years	\$ 2.40	92	\$ 2.40	
\$7.85 to \$10.50	560	4.82	9.91	99	8.95	
\$12.50 to \$15.30	1,788	3.01	13.83	1,760	13.85	
\$16.50 to \$20.25	1,130	3.19	17.92	1,010	17.97	
\$2.40 to \$20.25	3,570	3.28	\$ 14.21	2,961	\$ 14.74	



(ii) Share purchase plan

Under the Company's Share Purchase Plan, the Company is authorized to issue up to 300,000 common shares to executive officers. The purchase price of its shares equals the market price of the Company's common shares on the date of purchase. The Company lends the full amount of the purchase price to the participant and loans are non-interest bearing and due on the later of five years from the date of advance and the date on which the shares purchased under the plan have a market value equal or greater than twice the amount of the loan outstanding but, in any case, no later than the tenth anniversary of the date of advance. All of the shares authorized under the plan were issued in 1996 (see Note 6).

At December 31, 1999, FARO, had two fixed stock-based compensation plans. Under the company's 1994 Stock Option Plan, the company may grant to its officers, employees and independent contractors who perform services for the company up to 1,500,000 shares of common stock. Under the company's 1999 Stock Option Plan, the company may grant to its officers, employees and independent contractors who perform services for the company up to 12,300,000 shares of common stock. Options granted under the plans may be either incentive or non-qualified stock options. Incentive stock options granted to employees must be at an exercise price not less than fair market value at the date of the grant. Non-qualified options may be granted at a price not less than 85% of fair market value at the date of the grant. The maximum term of the grant is 10 years from the date of the grant. Unless otherwise provided, options vest 33.33% on the date of the grant and 33.33% on each of the following two anniversaries of the grant date. All unvested options vest upon a change of control of the company (see Note 4).

A summary of the status of the company's fixed stock option plans at December 31, 1999 and 1998, and changes during the years ended December 31, 1999 and 1998, is presented below:

1999				1998			
Weighted		Weighted		Weighted		Weighted	
Number of	Average	Number of	Average	Number of	Average	Number of	Average
Shares	Exercise	Shares	Exercise	Shares	Exercise	Shares	Exercise
	Price		Price		Price		Price
Fixed stock options							
Outstanding at beginning of year	2,017	\$ 0.78	1,398	\$ 1.03	1,747	0.35	0.18
Granted	9,350	0.25			(1,006)	2.44	
Exercised	(757)	0.35					
Forfeited	(10)	0.49					
Outstanding at end of year	10,500	\$ 0.34	2,017	\$ 0.78			
Options exercisable at end of year	6,443	\$ 0.40	1,547	\$ 0.87			

The following table summarizes information about fixed stock options outstanding and exercisable at December 31, 1999.

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$0.1 to \$0.25	9,656	5 years	\$ 0.24	5,679	\$ 0.24
\$0.40 to \$1.00	230	3.00	0.52	155	0.56
\$1.75 to \$3.00	614	3.00	1.85	609	1.84
\$0.01 to \$3.00	10,500	4.73	\$ 0.34	6,443	\$ 0.40

	1999	1998
Pharmaceutical products	\$ 437	\$ —
Clinical laboratory	—	1,289
Recoveries	1,492	943
	\$ 1,929	\$ 2,232

#### Pharmaceutical products

During the year, the Company's interest in FARO was diluted due to a March 17, 1999 private placement, the exercise of pre-emptive rights, and the exercise of employee stock options. Cumulatively, these transactions resulted in a gain of \$437,000.

#### Clinical laboratory

On November 3, 1998, the Company sold its 50.1% interest in US Lab for cash consideration of \$2,003,000, resulting in a gain of \$1,289,000.

The Company's income tax provision differs from the provision computed at statutory rates as follows:

	1999	1998
Earnings (loss) before income taxes and minority interest	\$(144,448)	\$ 5,703
Income taxes (recovery), based on statutory tax rates of 44.62%	\$ (64,453)	\$ 2,545
Increase (decrease) in taxes resulting from:		
Non-taxable transactions	1,745	1,975
Lower effective tax rate of foreign subsidiaries	13,256	285
Utilization of losses carried forward	(4,638)	(5,687)
Large corporation tax	89	11
Actual income tax recovery	\$ (54,001)	\$ (571)
Represented by:		
Current	\$ 3,873	\$ 4,642
Deferred (recovery)	(53,334)	163
Utilization of losses carried forward	(4,629)	(5,687)
Large corporation tax	89	11
	\$ (54,001)	\$ (571)

The Company's income tax provision by country is as follows:

	1999	1998
Canada		
Current	\$ 108	\$ 27
Deferred (recovery)	(3,900)	88
	\$ (3,792)	\$ 115
United States		
Current (recovery)	\$ (775)	\$ (1,051)
Deferred (recovery)	(49,434)	75
	\$ (50,209)	\$ (986)
Total		
Current (recovery)	\$ (667)	\$ (1,034)
Deferred (recovery)	(53,334)	163
	\$ (54,001)	\$ (871)

The composition of the Company's net deferred tax assets and liabilities is as follows:

	1999	1998
Current deferred tax asset:		
Revenue recognition	\$ 170	\$ 255
Accrued charges currently not deductible for tax	983	150
Other	795	299
Net current deferred tax asset	\$ 1,948	\$ 704
Non-current deferred tax asset:		
Revenue recognition	\$ 308	\$ 445
Basis differences of investments	4,963	—
Debt placement fees	1,001	—
Other	192	180
	6,464	625
Non-current deferred tax liability:		
Basis differences of investments	(20,769)	—
Basis differences of property	(1,598)	(1,468)
Amortization of intangible assets	(743)	—
	(23,110)	(1,468)
Net non-current deferred tax liability	\$ (16,646)	\$ (843)

The Company and its subsidiaries are subject to income taxes on an individual basis rather than a consolidated basis. Cumulatively, the Company has non-capital losses for carryforward aggregating approximately \$1,600,000 which are available for the reduction of future years' taxable incomes. In addition, the Company and its subsidiaries have capital losses aggregating \$11,081,000 available for application against future capital gains. These losses have no expiry date. Included in the \$71,214,000 in income taxes on the gain from the sale of Stadlander to Bergen (see Note 3 (a)) is a reduction in current income taxes of \$18,000,000 resulting from the Company's application of income tax losses on certain investments which the Company believes are deductible.

Financial instruments that have fair values that differ from their carrying values are as follows:

	1999		1998	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgages and other advances	\$ 5,943	\$ 5,595	\$ 4,541	\$ 2,995
Mortgages and loans payable	20,668	22,161	25,003	26,798
Other long term debt	84,659	63,659	84,659	79,659

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company has guaranteed the repayment of certain mortgages, of which \$29,208,000 expire in 2004 and \$9,089,000 expire in 2015. Management believes that the value of the assets securing these mortgages is sufficient to cover the guarantees provided.

The Company is committed under long term operating leases with various expiry dates to 2004 and with varying renewal options. Minimum annual rentals exclusive of taxes, insurance and maintenance costs for the next five years under these leases are as follows:

2000	\$ 4,731
2001	4,817
2002	4,899
2003	4,964
2004	4,415
Thereafter	1,210

Subsequent to the closing of the sale of Stadtlender, as required under the purchase agreement, Bergen notified the Company of proposed adjustments to the calculation of the final Stadtlender purchase price (see Note 3 (a)). The Company reviewed Bergen's proposed adjustments and concluded that the majority were not appropriate. After attempts to resolve the disputed adjustments were unsuccessful, the Company and Bergen began the process of resolving the matter through the arbitration process that had been established in the Stadtlender purchase agreement. As the arbitration process was being initiated, Bergen filed suit against the Company on October 14, 1999 in the Superior Court of the State of California for the County of Los Angeles, seeking damages for misrepresentation with respect to the sale of Stadtlender. Management believes the action is completely without merit and the Company plans to defend its position vigorously. The Company has filed a motion to stay the Bergen lawsuit and compel the parties to deal with their dispute through arbitration as mandated by the purchase agreement. To date, this motion has not been heard and, at this time, the results of any arbitration or legal proceedings are not determinable.

Factors used in the identification of reportable segments include types of services provided and products sold, as well as differences in marketing strategies employed.

During 1999 and 1998, the Company's continuing operations included the following reportable segments:

Pharmaceutical products, being the sale of drugs and related products in the United States.

e-Commerce, being the provision of technology-based products and services to businesses and consumers in the United States.

Clinical laboratory, being the provision of clinical laboratory services in the United States (see Note 14).

Long term care, being the ownership and leasing of long term care facilities and operations in the United States and Canada.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following tables provide revenues, earnings, assets, capital expenditures and significant non-cash items presented by reportable segment and geographical area.

	Pharma. Products	United States e-Commerce	Long Term Care	Canada Long Term Care	Corporate Office	Total
1999						
— Continuing operations						
Revenues	\$ 36,632	\$ 233	\$ 1,351	\$ 29,924	\$ 7,561	\$ 75,701
Earnings (loss) from operating businesses	\$ 15,614	\$ 40	\$ (650)	\$ 1,331	\$ —	\$ 16,335
Realization of value in operating businesses	437	—	—	—	1,492	1,929
Interest and other income	—	—	—	—	5,803	5,803
Earnings (loss) before undernoted expenses	16,051	40	(650)	1,331	7,295	24,067
Corporate	462	—	—	—	3,431	3,893
Interest	4,362	—	884	1,106	2,610	8,962
Amortization	5,941	294	192	590	187	7,204
Segment earnings (loss) from operations	5,286	(254)	(1,726)	(365)	1,067	4,008
Writedown of investments	(3,898)	—	—	—	(144,558)	(148,456)
Segment earnings (loss) before income taxes and minority interest	1,388	(254)	(1,726)	(365)	(143,491)	(144,448)
Income taxes (recovery)	(410)	(92)	(690)	(146)	(52,663)	(54,001)
Segment earnings (loss) before minority interest	\$ 1,798	\$ (162)	\$ (1,036)	\$ (219)	\$ (90,828)	\$ (90,447)
Segment assets	\$ 127,988	\$ 9,735	\$ 8,568	\$ 19,384	\$ 110,929	\$ 276,604
Capital expenditures	4,038				83	4,121
Other significant non-cash items:						
Amortization of deferred revenue			(263)	(794)		(1,057)
Deferred income taxes	(969)		(92)	(354)	(51,919)	(53,334)
Gain on realization of value in operating businesses					(1,929)	(1,929)

	Pharma. Products	United States Clinical Lab	Long Term Care	Canada Long Term Care	Corporate Office	Total
1998						
- Continuing operations						
Revenues	\$ 3,378	\$ 11,145	\$ 1,351	\$ 29,761	\$ 7,908	\$ 53,543
Earnings (loss) from operating businesses	\$ 1,307	\$ 466	\$ (649)	\$ 1,861	\$ -	\$ 2,985
Realization of value in operating businesses	-	1,289	-	-	943	2,232
Interest and other income	-	-	-	-	7,908	7,908
Earnings (loss) before undernoted expenses	1,307	1,755	(649)	1,861	8,851	13,125
Corporate	-	-	-	-	3,008	3,008
Interest	534	73	884	1,112	439	3,042
Amortization	346	35	397	408	186	1,372
Segment earnings (loss) before income taxes and minority interest	427	1,647	(1,930)	341	5,218	5,703
Income taxes (recovery)	-	135	(672)	88	(422)	(871)
Segment earnings (loss) before minority interest	\$ 427	\$ 1,512	\$ (1,258)	\$ 253	\$ 5,440	\$ 6,574
Segment assets	\$ 132,847	\$ -	\$ 12,070	\$ 17,765	\$ 22,393	\$ 185,075
Capital expenditures	114,148	101	-	-	233	114,482
Other significant non-cash items:						
Amortization of deferred revenue	-	-	(269)	(1,434)	-	(1,703)
Deferred income taxes	-	(40)	(35)	(88)	-	(163)
Gain on realization of value in operating businesses	-	(1,289)	-	-	(943)	(2,232)

On January 20, 2000, the Company acquired a 28.5% interest in Proscap Technologies, Inc. ("Proscap") for cash consideration of \$4,000,000. The Company has committed to an additional \$4,000,000 investment, subject to Proscap meeting certain operating thresholds. Subsequent to this additional investment, the Company's interest in Proscap will be 42.0%. Proscap provides business-to-business fact-based, enterprise sales and marketing information software systems to middle market and Fortune 1000 companies.

On February 11, 2000, the Company acquired a 1.1% interest in Ci4net.com, Inc. ("Ci4net") through the purchase of 200,000 convertible preferred shares for cash consideration of \$2,000,000. Each preferred share is convertible into 2 common shares of Ci4net. Ci4net owns 50% or more of 30 web-based companies mainly serving the United Kingdom, with additional penetration in Europe, Australia and the United States.

On March 28, 2000, the Company acquired a 26% interest in IBT Technologies, Inc. ("IBT") for cash consideration of \$4,000,000. IBT delivers media-rich course content over the Internet for business training and post-secondary educational applications.

On March 28, 2000, the Company acquired a 22.5% interest in Core Communications Corporation ("Core") for cash consideration of \$1,500,000. The Company has committed to an additional \$1,000,000 investment in Core. Subsequent to this additional investment, the Company's interest in Core will be 32.6%. The Company has been granted warrants to purchase stock of Core at a cost of \$833,000 which, if exercised, will increase the Company's interest to 39.1%. By installing a shared local area network, Core provides high-speed Internet access solutions and other communication services to trade shows, conventions, seminars and conferences.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada, as promulgated by the Canadian Institute of Chartered Accountants. There are a number of differences between Canadian and United States GAAP which apply to the Company's operations. For the information of the Company's United States shareholders, the major differences are described below and their effect on the consolidated statement of earnings and the consolidated balance sheet is summarized. The effect on the consolidated statement of changes in financial position is not significant.



The differences between Canadian and United States GAAP as they apply to the Company are as follows:

The Company follows the Canadian method of providing amortization of long term care facilities on the sinking fund basis. Under United States GAAP, the straight-line method of amortization is required.

The Company follows the Canadian method of separate presentation of the financial liability and equity components of a debt instrument, when such debt instrument is convertible into equity of the Company by both the issuer and the holder. Interest relating to the financial liability component is included in the determination of income, and interest relating to the equity component is charged to retained earnings as an equity distribution to the holder. Under United States GAAP, allocation of compound financial instruments is not appropriate.

The Company follows the Canadian method of carrying short term investments at the lower of cost and market. Unrealized losses in value are included in the determination of earnings. Under United States GAAP, trading securities are carried at market, with unrealized gains and losses included in earnings.

The Company follows the Canadian method of carrying portfolio investments at cost and writing them down when permanent impairment occurs. Under United States GAAP, available-for-sale securities, which include any security for which the Company has no immediate plans to sell but which may be sold in the future, are carried at fair value based on quoted market prices. Realized gains and losses, net of tax, including declines in value judged to be other-than-temporary are included in the determination of earnings. Unrealized gains and losses are recorded, net of related income tax effects, as a separate component of shareholders' equity.

The Canadian and United States methods of calculating earnings per share ("EPS") are substantially the same, except that in calculating EPS under the Canadian method, cash proceeds from the deemed exercise of stock options and warrants are assumed to be invested to earn a reasonable return. Under United States GAAP, the treasury stock method is used which assumes that cash proceeds are applied to buy back the Company's own stock.

The Company follows the Canadian method of charging share issue costs to retained earnings. Under United States GAAP, all costs related to the issue of shares are offset against share proceeds with the net amount being credited to capital stock.

The Company follows the Canadian method of presentation of share purchase loans as assets where the Company has the ability and intention to enforce repayment. Under United States GAAP, share purchase loans are presented as a deduction from capital stock.

The Company follows the Canadian method of presenting the assets and liabilities of discontinued operations separately on the balance sheet. Under United States GAAP, the net discontinued operations are presented on the balance sheet.

Net earnings (loss) and earnings (loss) per common share according to Canadian and United States GAAP are as follows:

	1999	1998
<b>Net earnings</b>		
Canadian GAAP		
Earnings from continuing operations	\$ (89,368)	\$ 6,685
Earnings (loss) from discontinued operations after tax	136,065	(29,309)
Net earnings (loss)	\$ 46,697	\$ (22,624)
United States GAAP		
Earnings (loss) from continuing operations	\$ (91,178)	\$ 5,018
Earnings (loss) from discontinued operations after tax	135,783	(30,823)
Net earnings (loss)	\$ 44,605	\$ (25,805)
<b>Earnings per common share</b>		
<b>Basic</b>		
Canadian GAAP		
Earnings (loss) from continuing operations	\$ (3.43)	\$ 0.22
Earnings (loss) from discontinued operations after tax	5.19	(1.05)
Net earnings (loss)	\$ 1.76	\$ (0.83)
United States GAAP		
Earnings (loss) from continuing operations	\$ (3.47)	\$ 0.18
Earnings (loss) from discontinued operations after tax	5.17	(1.10)
Net earnings (loss)	\$ 1.70	\$ (0.92)
<b>Fully diluted</b>		
Canadian GAAP		
Earnings (loss) from continuing operations	\$ (3.43)	\$ 0.22
Earnings (loss) from discontinued operations after tax	4.78	(1.05)
Net earnings (loss)	\$ 1.35	\$ (0.83)
United States GAAP		
Earnings (loss) from continuing operations	\$ (3.47)	\$ 0.18
Earnings (loss) from discontinued operations after tax	5.03	(1.10)
Net earnings (loss)	\$ 1.56	\$ (0.92)

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following is a reconciliation of earnings (loss) from continuing operations and earnings (loss) from discontinued operations under Canadian GAAP to United States GAAP:

	1999	1998
Earnings (loss) from continuing operations — Canadian GAAP	\$ (89,368)	\$ 6,685
Increase (decrease) by:		
Market value adjustment on trading securities	(743)	(981)
Amortization	(649)	(640)
Deferred income taxes	177	344
Interest on equity financial instruments	(595)	(390)
Earnings (loss) from continuing operations — United States GAAP	\$ (91,178)	\$ 5,018
Earnings (loss) from discontinued operations after tax		
— Canadian GAAP	\$ 136,065	\$ (29,309)
Deferred income taxes	(282)	(1,514)
Earnings (loss) from discontinued operations after tax		
— United States GAAP	\$ 135,783	\$ (30,823)

The Company has presented the accounting for employee stock option plans under United States GAAP using the "intrinsic value based method."

The "fair value based method" of accounting for employee stock option plans affects net earnings (loss) and earnings (loss) per share under United States GAAP in the following manner:

	1999	1998
Earnings (loss) from continuing operations	\$ (94,904)	\$ 2,170
Earnings (loss) from discontinued operations after tax	135,783	(30,823)
Net earnings (loss)	\$ 40,879	\$ (28,653)
<b>Earnings per common share</b>		
Basic		
Earnings (loss) from continuing operations	\$ (3.61)	\$ 0.08
Earnings (loss) from discontinued operations after tax	5.17	(1.10)
Net earnings (loss)	\$ 1.56	\$ (1.02)
Fully diluted		
Earnings (loss) from continuing operations	\$ (3.61)	\$ 0.08
Earnings (loss) from discontinued operations after tax	5.05	(1.10)
Net earnings (loss)	\$ 1.44	\$ (1.02)

The following is a restatement of major balance sheet categories to reflect application of United States GAAP:

	1999	1998
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 19,788	\$ 15,993
Short term investments	73,589	4,885
Deferred income taxes	1,948	704
Discontinued operations	2,388	137,574
Other	26,003	13,432
	123,716	172,593
Mortgages and other advances	1,671	3,108
Equity in Impower, Inc.	9,735	—
Portfolio investments	12,406	—
Long term care facilities	15,805	17,369
Product acquisition costs	99,721	108,362
Other	15,518	14,741
	\$278,572	\$316,173
<b>LIABILITIES</b>		
Current liabilities	\$ 28,416	\$102,989
Other long term debt	90,000	90,000
Deferred income taxes	15,209	697
Minority interest	4,679	984
Other	22,248	21,573
	160,552	216,243
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock	109,185	118,736
Accumulated deficit	(558)	(18,806)
Accumulated comprehensive income	9,393	—
	118,020	99,930
	\$278,572	\$316,173

Accumulated comprehensive income for the Company includes the cumulative unrealized gains or losses on securities available-for-sale. The effect on the Company's results in the current year and on a cumulative basis is as follows:

	1999	1998
Unrealized gain on investments available-for-sale	\$ 9,393	\$ —
Less: related deferred income taxes	—	—
Current year and accumulated comprehensive income	\$ 9,393	\$ —

EXHIBIT E - PROPOSED TARIFF

TELECOMMUNICATIONS SERVICES TARIFFTITLE SHEETSOUTH DAKOTA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service or facilities for Telecommunications Services furnished by PT-1 Counsel Inc. ("PT-1"), with principal offices at 280 Park Ave., West Bldg., 28th Floor, New York, New York 10017. This tariff applies for services furnished within the State of South Dakota. This tariff is on file with the South Dakota Public Utilities Commission, and copies may be inspected, during normal business hours, at the company's principal place of business.

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EFFECTIVE: , 2000

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PT-1 COUNSEL INC.

ORIGINAL SHEET 2

SOUTH DAKOTA PUC TARIFF NO. 1

TELECOMMUNICATIONS SERVICES TARIFF

RESERVED FOR FUTURE USE

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TELECOMMUNICATIONS SERVICES TARIFFCHECK SHEET

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

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

\* New or Revised Sheet

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TARIFF FORMAT

A. Sheet Numbering: Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between pages 11 and 12 would be page 11.1.

B. Sheet Revision Numbers: Revision numbers also appear in the upper right corner of each sheet where applicable. These numbers are used to indicate the most current page version on file with the Commission. For example, 4th Revised Sheet 13 cancels 3rd Revised Sheet 13. Consult the Check Sheet for the sheets currently in effect.

C. Paragraph Numbering Sequence: There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

- 2.
- 2.1
- 2.1.1
- 2.1.1.A
- 2.1.1.A.1
- 2.1.1.A.1.(a)
- 2.1.1.A.1.(a).I
- 2.1.1.A.1.(a).I.(i)
- 2.1.1.A.1.(a).I.(i).(1)

D. Check Sheets: When a tariff filing is made with the Commission, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists the sheets contained in the tariff, with a cross reference to the current Revision Number. When new sheets are added, the Check Sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (\*). There will be no other symbols used on this sheet if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some sheets). The tariff user should refer to the latest Check Sheet to find out if a particular sheet is the most current filed with the Commission.

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New York, New York 10017

SYMBOLS

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

- (C) to signify change in regulation
- (D) to signify a deletion
- (I) to signify a rate increase
- (L) to signify material relocated in the tariff
- (N) to signify a new rate or regulation
- (R) to signify a rate reduction
- (T) to signify a change in text, but no change in rate or regulation

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Gary Wasserson, President  
280 Park Ave., West Bldg., 28th Floor  
New York, New York 10017

TELECOMMUNICATIONS SERVICES TARIFFSECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

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

Authorization Code - A numerical code, one or more of which may be assigned to a Customer, to enable the Company to identify the origin of the Customer so it may rate and bill the call. Automatic number identification (ANI) is used as the authorization code wherever possible.

Commission - Used throughout this tariff to mean the South Dakota Public Utilities Commission.

Customer - The person, firm, corporation or other legal entity which orders the services of the Company and is responsible for the payment of charges and for compliance with the Company's tariff regulations.

Company or PT-1 - Used throughout this tariff to mean PT-1 Counsel Inc., a Delaware Corporation.

Dedicated Access - The Customer gains entry to the Company's services by a direct path from the Customer's location to the Company's point of presence.

Holiday - New Year's Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Holidays shall be billed at the evening rate from 8 a.m. to 11 p.m. After 11 p.m., the lower night rate shall go into effect.

Prepaid Account - An inventory of Telecom Units purchased in advance by the Customer, and associated with one and only one Authorization Code as contained in a specific Prepaid Calling Card.

Prepaid Calling Card - A card issued by the Company, containing an Authorization Code which identifies a specific Prepaid Account of Telecom Units, which enables calls to be processed, account activity to be logged, and balances to be maintained, on a prepayment basis.

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TELECOMMUNICATIONS SERVICES TARIFF

Resp. Org - Responsible Organization or entity identified by an 800 service Customer that manages and administers records in the 800 database and management system.

Switched Access - The Customer gains entry to the Company's services by a transmission line that is switched through the local exchange carrier to reach the Company's point of presence.

Telecom Unit - A measurement of telecommunications service equivalent to one minute of usage between any two points within the State of South Dakota.

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

Underlying Carrier - The telecommunications carrier whose network facilities provide the technical capability and capacity necessary for the transmission and reception of Customer telecommunications traffic.

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280 Park Ave., West Bldg., 28th Floor  
New York, New York 10017

TELECOMMUNICATIONS SERVICES TARIFFSECTION 2 - RULES AND REGULATIONS2.1 Undertaking of the Company

This tariff contains the regulations and rates applicable to intrastate interexchange telecommunications services provided by the Company for telecommunications between points within the State of South Dakota. Services are furnished subject to the availability of facilities and subject to the terms and conditions of this tariff in compliance with limitations set forth in the Commission's rules. The Company's services are provided on a statewide basis and are not intended to be limited geographically. The Company offers service to all those who desire to purchase service from the Company consistent with all of the provisions of this tariff. Customers interested in the Company's services shall file a service application with the Company which fully identifies the Customer, the services requested and other information requested by the Company. The Company reserves the right to examine the credit record and check the references of all applicants and Customers. The Company may examine the credit profile/record of any applicant prior to accepting the service order. The service application shall not in itself obligate the Company to provide services or to continue to provide service if a later check of applicant's credit record is, in the opinion of the Company, contrary to the best interest of the Company. The Company may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the Customer, to allow connection of a Customer's location to a service provided by the Company. The Customer shall be responsible for all charges due for such service arrangement.

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TELECOMMUNICATIONS SERVICES TARIFF

- 2.1.1 The services provided by the Company are not part of a joint undertaking with any other entity providing telecommunications channels, facilities, or services, but may involve the resale of the Message Toll Services (MTS) and Wide Area Telecommunications Services (WATS) of underlying common carriers which may be subject to the jurisdiction of this Commission.
- 2.1.2 The rates and regulations contained in this tariff apply only to the services furnished by the Company and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other common carriers for use in accessing the services of the Company.
- 2.1.3 The Company reserves the right to limit the length of communications, to discontinue furnishing services, or limit the use of service necessitated by conditions beyond its control, including, without limitation: lack of satellite or other transmission medium capacity; the revision, alteration or repricing of the Underlying Carrier's tariffed offerings; or when the use of service becomes or is in violation of the law or the provisions of this tariff.

2.2 Use of Services

- 2.2.1 The Company's services may be used for any lawful purpose consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of services, subject to any limitations set forth in this Section 2.2.
- 2.2.2 The use of the Company's services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another or in such a way as to unreasonably interfere with use by others is prohibited.

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TELECOMMUNICATIONS SERVICES TARIFF

- 2.2.3 The use of the Company's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, schemes, false or invalid numbers, or false calling or credit cards is prohibited.
- 2.2.4 The Company's services are available for use twenty-four hours per day, seven days per week.
- 2.2.5 The Company does not transmit messages, but the services may be used for that purpose.
- 2.2.6 The Company's services may be denied for nonpayment of charges or for other violations of this tariff.
- 2.2.7 Customers shall not use the service provided under this tariff for any unlawful purpose.
- 2.2.8 The Customer is responsible for notifying the Company immediately of any unauthorized use of services.

2.3 Liability of the Company

- 2.3.1 The Company shall not be liable for any claim, loss, expense or damage for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff, if caused by the Underlying Carrier, an act of God, fire, war, civil disturbance, act of government, or due to any other causes beyond the Company's control.
- 2.3.2 The Company shall not be liable for, and shall be fully indemnified and held harmless by the Customer against any claim, loss, expense, or damage for defamation, libel, slander, invasion, infringement of copyright or patent, unauthorized use of any trademark, trade name or service mark, proprietary or creative right, or any other injury to any person, property or entity arising out of the material, data or information transmitted.

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TELECOMMUNICATIONS SERVICES TARIFF

- 2.3.3 No agent or employee of any other carrier or entity shall be deemed to be an agent or employee of the Company.
- 2.3.4 Reserved for Future Use
- 2.3.5 Reserved for Future Use
- 2.3.6 Reserved for Future Use

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- 2.3.7 The remedies set forth herein are exclusive and in lieu of all other warranties and remedies, whether express, implied, or statutory, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

2.4 Responsibilities of the Customer

- 2.4.1 The Customer is responsible for placing any necessary orders and complying with tariff regulations. The Customer is also responsible for the payment of charges for services provided under this tariff.
- 2.4.2 The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by the Company on the Customer's behalf.
- 2.4.3 If required for the provision of the Company's services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to the Company.
- 2.4.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to the Company and the Customer when required for Company personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of the Company's services.
- 2.4.5 The Customer shall cause the temperature and relative humidity in the equipment space provided by Customer for the installation of the Company's equipment to be maintained within the range normally provided for the operation of microcomputers.

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New York, New York 10017

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TELECOMMUNICATIONS SERVICES TARIFF

- 2.4.6 The Customer shall ensure that the equipment and/or system is properly interfaced with the Company's facilities or services, that the signals emitted into the Company's network are of the proper mode, bandwidth, power and signal level for the intended use of the subscriber and in compliance with criteria set forth in this tariff, and that the signals do not damage equipment, injure personnel, or degrade service to other Customers. If the Federal Communications Commission or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with interstate communications service, the Company will permit such equipment to be connected with its channels without the use of protective interface devices. If the Customer fails to maintain the equipment and/or the system properly, with resulting imminent harm to Company equipment, personnel or the quality of service to other Customers, the Company may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, the Company may, upon written notice, terminate the Customer's service.
- 2.4.7 The Customer must pay the Company for replacement or repair of damage to the equipment or facilities of the Company caused by negligence or willful act of the Customer or others, by improper use of the services, or by use of equipment provided by Customer or others.
- 2.4.8 The Customer must pay for the loss through theft of any Company equipment installed at Customer's premises.
- 2.4.9 If the Company installs equipment at Customer's premises, the Customer shall be responsible for payment of any applicable installation charge.

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TELECOMMUNICATIONS SERVICES TARIFF

- 2.4.10 The Customer must use the services offered in this tariff in a manner consistent with the terms of this tariff and the policies and regulations of all state, federal and local authorities having jurisdiction over the service.

2.5 Cancellation or Interruption of Services

- 2.5.1 Without incurring liability, upon five (5) working days' (defined as any day on which the company's business office is open and the U.S. Mail is delivered) written notice to the Customer, the Company may immediately discontinue services to a Customer or may withhold the provision of ordered or contracted services:
- 2.5.1.A For nonpayment of any sum due the Company for more than thirty (30) days after issuance of the bill for the amount due, unless the charge is in dispute;
- 2.5.1.B For violation of any of the provisions of this tariff,
- 2.5.1.C For violation of any law, rule, regulation, policy of any governing authority having jurisdiction over the Company's services, or
- 2.5.1.D By reason of any order or decision of a court, public service commission or federal regulatory body or other governing authority prohibiting the Company from furnishing its services.

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- 2.5.2 Without incurring liability, the Company may interrupt the provision of services at any time in order to perform tests and inspections to assure compliance with tariff regulations and the proper installation and operation of Customer and the Company's equipment and facilities and may continue such interruption until any items of noncompliance or improper equipment operation so identified are rectified.
- 2.5.3 Service may be discontinued by the Company without notice to the Customer, by blocking traffic to certain countries, cities or NXX exchanges, or by blocking calls using certain Customer authorization codes, when the Company deems it necessary to take such action to prevent unlawful use of its service. The Company will restore service as soon as it can be provided without undue risk, and will, upon request by the Customer affected, assign a new authorization code to replace the one that has been deactivated.
- 2.5.4 The Customer may terminate service upon thirty (30) days written notice for the Company's standard month to month contract. Customer will be liable for all usage on any of the Company's service offerings until the Customer actually leaves the service. Customers will continue to have Company usage until the Customer notifies its local exchange carrier and changes its long distance carrier. Until the Customer so notifies its local exchange carrier, it shall continue to generate and be responsible for long distance usage.

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TELECOMMUNICATIONS SERVICES TARIFF

2.6 Credit Allowance

2.6.1 Credit may be given for disputed calls, on a per call basis.

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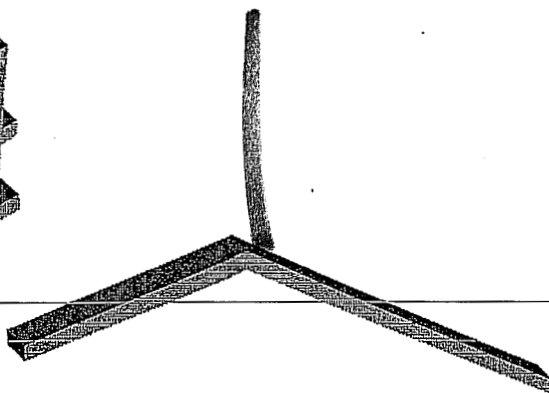
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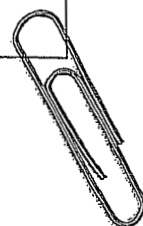
Gary Wasserson, President  
280 Park Ave., West Bldg., 28th Floor  
New York, New York 10017

Continuation

#



# of pages





TELECOMMUNICATIONS SERVICES TARIFF

2.7 Restoration of Service

The use and restoration of service shall be in accordance with the priority system specified in part 64, Subpart D of the Rules and Regulations of the Federal Communications Commission.

2.8 Deposit

The Company does not require deposits.

2.9 Advance Payments

The Company does not require advance payments.

ISSUED: June 28, 2000

EFFECTIVE: , 2000

ISSUED BY:

Gary Wasserson, President  
280 Park Ave., West Bldg., 28th Floor  
New York, New York 10017



TELECOMMUNICATIONS SERVICES TARIFF2.10 Payment and Billing

- 2.10.1 Service is provided and billed on a billing cycle basis, beginning on the date that service becomes effective. Billing is payable upon receipt. A late fee will be assessed on unpaid amounts 30 days after rendition of bills.
- 2.10.2 The customer is responsible for payment of all charges for services furnished to the Customer, as well as to all persons using the Customer's codes, exchange lines, facilities, or equipment, with or without the knowledge or consent of the Customer. The security of the Customer's Authorization Codes, subscribed exchange lines, and direct connect facilities is the responsibility of the Customer. All calls placed using direct connect facilities, subscribed exchange lines, or Authorization Codes will be billed to and must be paid by the Customer. Charges based on actual usage during a month and any accrued interest will be billed monthly in arrears.
- 2.10.3 All bills are presumed accurate, and shall be binding on the customer unless objection is received by the Company in writing within 180 days after such bills are rendered. No credits, refunds, or adjustments shall be granted if demand therefore is not received by the Company in writing within such 180 day period.

ISSUED: June 28, 2000

EFFECTIVE: , 2000

ISSUED BY:

Gary Wasserson, President  
280 Park Ave., West Bldg., 28th Floor  
New York, New York 10017

TELECOMMUNICATIONS SERVICES TARIFF2.11 Collection Costs

In the event Company is required to initiate legal proceedings to collect any amounts due to Company, or to enforce any judgment obtained against a Customer, or for the enforcement of any other provision of this tariff or applicable law, Customer shall, in addition to all amounts due, be liable to Company for all reasonable costs incurred by Company in such proceedings and enforcement actions, including reasonable attorneys' fees, collection agency fees or payments, and court costs. In any such proceeding, the amount of collection costs, including attorneys' fees, due to the Company, will be determined by a court of competent jurisdiction or by the Commission.

2.12 Taxes

All federal, state and local taxes, assessments, surcharges, or fees, including sales taxes, use taxes, gross receipts taxes, and municipal utilities taxes, are billed as separate line items and are not included in the rates quoted herein.

2.13 Late Charge

A late fee of 1.5% per month or the amount otherwise authorized by law, whichever is lower, will be charged on any past due balances.

2.14 Returned Check Charge

A fee of \$20.00 will be charged whenever a check or draft presented for payment for service is not accepted by the institution on which it is written.

2.15 Reconnection Charge

A reconnection fee of \$25.00 per occurrence will be charged when service is reestablished for Customers which have been disconnected due to non-payment. Payment of the reconnection fee and any other outstanding amounts will be due in full prior to reconnection of service.

ISSUED: June 28, 2000

EFFECTIVE: , 2000

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Gary Wasserson, President  
280 Park Ave., West Bldg., 28th Floor  
New York, New York 10017

TELECOMMUNICATIONS SERVICES TARIFFSECTION 3 - DESCRIPTION OF SERVICE3.1 Computation of Charges

3.1.1 The total charge for each completed call may be a variable measured charge dependent on the duration, distance and time of day of the call. The total charge for each completed call may also be dependent only on the duration of the call, i.e. a statewide flat rate per minute charge. The variable measured charge is specified as a rate per minute which is applied to each minute. All calls are measured in increments as set forth in the Rates Section of this tariff. All calls are rounded up to the next whole increment.

3.1.2 Where mileage bands appear in a rate table, rates for all calls are based upon the airline distance between the originating and terminating points of the call, as determined by the vertical and horizontal coordinates associated with the exchange (the area code and three digit central office code) associated with the originating and terminating telephone numbers. If the Customer obtains access to the Company's network by a dedicated access circuit, that circuit will be assigned an exchange for rating purposes based upon the Customer's main telephone number at the location where the dedicated access circuit terminates. The vertical and horizontal (V & H) coordinates for each exchange and the airline distance between them will be determined according to industry standards.

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EFFECTIVE:

, 2000

ISSUED BY:

Gary Wasserson, President  
280 Park Ave., West Bldg., 28th Floor  
New York, New York 10017

TELECOMMUNICATIONS SERVICES TARIFF

- 3.1.3 Timing begins when the called station is answered and two way communication is possible, as determined by standard industry methods generally in use for ascertaining answer, including hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. Recognition of answer supervision is the responsibility of the Underlying Carrier. Timing for each call ends when either party hangs up. The Company will not bill for uncompleted calls.

3.2 Customer Complaints and/or Billing Disputes

Customer inquiries or complaints regarding service or accounting may be made in writing or by telephone to the Company at:

280 Park Ave., West Bldg., 28th Floor  
New York, New York 10017  
(800) 513-6947

An objection to billed charges should be reported promptly to the Company. Adjustments to Customers' bills shall be made to the extent that records are available and/or circumstances exist which reasonably indicate that such charges are not in accordance with approved rates or that an adjustment may otherwise be appropriate.

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280 Park Ave., West Bldg., 28th Floor  
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TELECOMMUNICATIONS SERVICES TARIFF

The Company will respond within seventy two (72) hours of receipt of an inquiry. If the Customer is dissatisfied with the Company's response to a complaint or inquiry, the Customer may file a complaint with the Commission for resolution of the conflict. The South Dakota Public Utilities Commission can be reached at:

500 East Capitol  
Pierre, SD 57501-5070  
(605) 773-3201  
(800) 332-1782  
TTY through Relay Service South Dakota-  
(800) 877-1113

If a Customer accumulates more than One Dollar of undisputed delinquent Company 800 Service charges, the Company Resp. Org. reserves the right not to honor that Customer's request for a Resp. Org. change until such undisputed charges are paid in full.

### 3.3 Level of Service

A Customer can expect end to end network availability of not less than 99% at all times for all services.

### 3.4 Billing Entity Conditions

When billing functions on behalf of the Company or its intermediary are performed by local exchange telephone companies or others, the payment of charge conditions and regulations of such companies and any regulations imposed upon these companies by regulatory bodies having jurisdiction apply. The Company's name and toll-free telephone number will appear on the Customer's bill.

ISSUED: June 28, 2000

EFFECTIVE: , 2000

ISSUED BY:

Gary Wasserson, President  
280 Park Ave., West Bldg., 28th Floor  
New York, New York 10017

TELECOMMUNICATIONS SERVICES TARIFF3.5 Service Offerings

## 3.5.1 1+ Dialing

This service permits Customers to originate calls via switched or dedicated access lines, and to terminate intrastate calls. The customer dials "1+" followed by "ten digits" or dials "101XXXX" followed by "1+ ten digits".

## 3.5.2 Travel Cards

The Customer utilizes an 11 digit "toll-free" access number established by the Company to access a terminal. Upon receiving a voice prompt, the Customer uses push button dialing to enter an identification code assigned by the Company, and the ten digit number of the called party.

## 3.5.3 800 Service (Toll-Free)

This service is inbound calling only where an 800, 888 or other toll-free prefix number rings into a Customer's premise routed to a specific telephone number or terminated over a dedicated facility.

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TELECOMMUNICATIONS SERVICES TARIFF

## 3.5.4 Company Prepaid Calling Cards

This service permits use of Prepaid Calling Cards for placing long distance calls. Customers may purchase Company Prepaid Calling Cards at a variety of retail outlets or through other distribution channels. Company Prepaid Calling Cards are available at a variety of face values ranging from five dollars (\$5.00), in one dollar (\$1.00) increments. Company Prepaid Calling Card service is accessed using the Company toll-free number printed on the card. The caller is prompted by an automated voice response system to enter his/her Authorization Code, and then to enter the terminating telephone number. The Company's processor tracks the call duration on a real time basis to determine the number of Telecom Units consumed. The total consumed Telecom Units for each call is deducted from the remaining Telecom Unit balance on the Customer's Company Prepaid Calling Card.

All calls must be charged against Prepaid Calling Card that has a sufficient Telecom Unit balance. A Customer's call will be interrupted with an announcement when the balance is about to be depleted.

In order to continue the call, the Customer can either call the toll-free number on the back of the Company Prepaid Calling Card and "recharge" the balance on the card using a nationally recognized credit card, or the Customer can throw the card away and purchase a new one. Calls in progress will be terminated by the Company if the balance on the Company Prepaid Calling Card is insufficient to continue the call and the Customer fails to enter the number of another valid Company Prepaid Calling Card prior to termination.

ISSUED: June 28, 2000

EFFECTIVE: , 2000

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280 Park Ave., West Bldg., 28th Floor  
New York, New York 10017

TELECOMMUNICATIONS SERVICES TARIFF

The expiration date will be printed on all cards. The Company will not refund unused balances.

A credit allowance for Company Prepaid Calling Card Service is applicable to calls that are interrupted due to poor transmission, one-way transmission, or involuntary disconnection of a call. To receive the proper credit, the Customer must notify the Company at the designated toll-free customer service number printed on the Company Prepaid Calling Card and furnish the called number, the trouble experienced (e.g. cut-off, noisy circuit, etc.), and the approximate time that the call was placed.

When a call charged to a Company Prepaid Calling Card is interrupted due to cut-off, one-way transmission, or poor transmission conditions, the Customer will receive a credit equivalent of one Telecom Unit.

Credit allowances for calls pursuant to Company Prepaid Card Service do not apply for interruptions not reported promptly to the Company or interruptions that are due to the failure of power, equipment or systems not provided by the Company.

Credit for failure of service shall be allowed only when such failure is caused by or occurs due to causes within the control of the Company.

The Company will block all calls beginning with the NPA "900" and NXX "976" calls, therefore such calls can not be completed.

---

ISSUED: June 28, 2000

EFFECTIVE: , 2000

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Gary Wasserson, President  
280 Park Ave., West Bldg., 28th Floor  
New York, New York 10017



TELECOMMUNICATIONS SERVICES TARIFF

## 3.5.5 Directory Assistance.

Access to long distance directory assistance is obtained by dialing 1 + 555-1212 for listings within the originating area code and 1 + (area code) + 555-1212 for other listings. When more than one number is requested in a single call, a charge will apply for each number requested. A charge will be applicable for each number requested, whether or not the number is listed or published.

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TELECOMMUNICATIONS SERVICES TARIFF

## 3.5.6 Specialized Pricing Arrangements.

Customized service packages and competitive pricing packages at negotiated rates may be furnished on a case-by-case basis in response to requests by Customers to the Company for proposals or for competitive bids. Service offered under this tariff provision will be filed with the Commission. Specialized rates or charges will be made available to similarly situated Customers on a non-discriminatory basis. The Company will notify the Commission of such arrangements as required by Commission rules and regulations.

## 3.5.7 Emergency Call Handling Procedures

Emergency "911" calls are not routed to company, but are completed through the local network at no charge.

## 3.5.8 Promotional Offerings

The Company may, from time to time, make promotional offerings to enhance the marketing of its services. These offerings may be limited to certain dates, times and locations. The Company will notify the Commission of such offerings as required by Commission rules and regulations.

ISSUED: June 28, 2000

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TELECOMMUNICATIONS SERVICES TARIFF

SECTION 4 - RATES

4.1 1+ Dialing

\$0.15 per minute

A \$4.95 per month service charge applies.  
Billed in one minute increments.

4.2 Travel Cards

\$.199 per minute

A \$.25 per call service charge applies.  
Billed in one minute increments.

ISSUED: June 28, 2000

EFFECTIVE: , 2000

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Gary Wasserson, President  
280 Park Ave., West Bldg., 28th Floor  
New York, New York 10017

TELECOMMUNICATIONS SERVICES TARIFF4.3 Toll Free

\$0.15 per minute

A \$10 per month per number service charge applies.  
Billed in one minute increments.

4.4 Prepaid Calling CardsProgram

A	\$ .015	Per Telecom Unit
B	\$ .019	Per Telecom Unit
C	\$ .025	Per Telecom Unit
D	\$ .029	Per Telecom Unit
E	\$ .032	Per Telecom Unit
F	\$ .035	Per Telecom Unit
G	\$ .039	Per Telecom Unit
H	\$ .045	Per Telecom Unit
I	\$ .05	Per Telecom Unit
J	\$ .06	Per Telecom Unit
K	\$ .07	Per Telecom Unit
L	\$ .08	Per Telecom Unit
M	\$ .09	Per Telecom Unit
N	\$ .10	Per Telecom Unit
O	\$ .11	Per Telecom Unit
P	\$ .12	Per Telecom Unit
Q	\$ .13	Per Telecom Unit
R	\$ .14	Per Telecom Unit
S	\$ .15	Per Telecom Unit
T	\$ .19	Per Telecom Unit
U	\$ .20	Per Telecom Unit
V	\$ .25	Per Telecom Unit
W	\$ .29	Per Telecom Unit
X	\$ .30	Per Telecom Unit
Y	\$ .33	Per Telecom Unit
Z	\$ .35	Per Telecom Unit
AA	\$ .39	Per Telecom Unit
BB	\$ .40	Per Telecom Unit
CC	\$ .50	Per Telecom Unit

A \$.59 per call service charge applies.

ISSUED: June 28, 2000

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New York, New York 10017

TELECOMMUNICATIONS SERVICES TARIFF

4.5 Directory Assistance

\$.95

4.6 Returned Check Charge

\$20.00

ISSUED: June 28, 2000

EFFECTIVE: , 2000

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Gary Wasserson, President  
280 Park Ave., West Bldg., 28th Floor  
New York, New York 10017

TELECOMMUNICATIONS SERVICES TARIFF4.7 Rate Periods

	Monday - Friday	Sat.	Sun.
8 a.m. to 5 p.m.*	Daytime Rate Period	Evening Rate Period	
5 p.m. to 11 p.m.*	Evening Rate Period		
11 p.m. to 8 a.m.*	Night/Weekend Rate Period		

\* To, but not including  
When a message spans more than one rate period, total charges for the minutes in each rate period are calculated and the results for each rate period are totaled to obtain the total message charge. If the calculation results in a fractional charge, the amount will be rounded down to the lower cent.

4.8 Payphone Dial Around Surcharge

A dial around surcharge of \$.35 per call will be added to any completed INTRASTATE toll access code and subscriber 800/888 type calls placed from a public or semi-public payphone.

4.9 Universal Service Fund Assessment & Presubscribed Interexchange Carrier Charge

The Customer will be assessed a monthly Universal Service Fund Contribution charge on all telecommunications services, which in no event shall be less than the prevailing contribution percentage rate charged the Company on intrastate traffic by any state agency or its administrator. A Presubscribed Interexchange Carrier Charge ("PICC") applies on a monthly basis to all Customer monthly bills at the prevailing rate.

ISSUED: June 28, 2000

EFFECTIVE: , 2000

ISSUED BY:

Gary Wasserson, President  
280 Park Ave., West Bldg., 28th Floor  
New York, New York 10017

# REMITTANCE ADVICE

PAYEE	SOUTH DAKOTA PUBLIC UTILITIES				CHEQUE NUMBER	3360
VENDOR NUMBER	S.DAKOTA		CHEQUE DATE		AMOUNT	
INVOICE DATE	INVOICE NUMBER	DESCRIPTION		GROSS AMOUNT	DISCOUNT	NET PAYM
10-May-00	5416	PUB SERVICE COMM-FILE FEE		250.00	0.00	\$

DETACH THIS PORTION BEFORE DEPOSIT

## COUNSEL CORPORATION

Suite 1300, P.O. Box 435  
130 King Street West  
Toronto, ON M5X 1E3

Bank of Montreal  
Main Office - F.C.P.  
100 King St. W.  
Toronto, Ontario, M5X 1A3  
00022-001

42235

NO 3360

DATE
10-May-00

AMOUNT
\$250.00

Two Hundred Fifty DOLLARS and NO CENTS - US\$

PAY TO THE ORDER OF

SOUTH DAKOTA PUBLIC UTILITIES  
COMMISSION

COUNSEL CORPORATION

PER

PER

⑈0000 ⑆026002516⑆ 0002 4630⑈890⑈

**South Dakota Public Utilities Commission**  
**WEEKLY FILINGS**  
**For the Period of June 22, 2000 through June 28, 2000**

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

**CONSUMER COMPLAINTS**

**CT00-079 In the Matter of the Complaint filed by Fairy Gardner, Witten, South Dakota, against Excel Telecommunications, Inc. Regarding Unauthorized Switching of Services and Billing for Services.**

The complainant alleges that her phone services were switched without her authorization and she received bills from Excel for unauthorized charges. The complainant is requesting compensation for the harassment.

Staff Analyst: Charlene Lund  
Staff Attorney: Karen Cremer  
Date Docketed: 06/22/00  
Intervention Deadline: NA

**CT00-080 In the Matter of the Complaint filed by Theodore Kamstra, Sioux Falls, South Dakota, against McLeodUSA Telecommunications Services, Inc. Regarding Unauthorized Switching of Services.**

On June 26, 2000, the Commission received a formal complaint from Theodore Kamstra on behalf of TECS indicating that its telecommunications service was switched without authorization.

Staff Analyst: Leni Healy  
Staff Attorney: Karen Cremer  
Date Docketed: 06/28/00  
Intervention Deadline: NA

**TELECOMMUNICATIONS**

**TC00-101 In the Matter of the Establishment of Switched Access Revenue Requirement for Vivian Telephone Company d/b/a Golden West Communications, Inc.**

Vivian Telephone Company, Vivian, South Dakota, filed a switched access cost study developing a revenue requirement that is included in the revenue requirement used to determine the switched access rates for the Local Exchange Carrier Association.

Staff Analyst: Heather K. Forney  
Staff Attorney: Karen Cremer



**TC00-102 In the Matter of the Establishment of Switched Access Rates for the Local Exchange Carriers Association.**

The Local Exchange Carrier Association filed tariff sheets implementing the switched access rates necessitated by revisions to its member companies' revenue requirements and switched access minutes of use.

Staff Analyst: Keith Senger  
Staff Attorney: Karen Cremer  
Date Docketed: 06/27/00  
Intervention Deadline: 07/14/00

**TC00-103 In the Matter of the Filing by U S WEST Communications, Inc. for Approval of Revisions to its Exchange and Network Services Tariff.**

U S WEST Communications has filed for approval of Revisions to its Exchange and Network Services Tariff. The change is made to increase the Federal Lifeline Program benefit by \$.85. This increase is the result of the FCC's order dated May 31, 2000, in which they increased the monthly credit from \$5.25 to \$6.10. The change becomes effective July 1, 2000.

Staff Analyst: Michele Farris  
Staff Attorney: Camron Hoseck  
Date Docketed: 06/28/00  
Intervention Date: 07/14/00

**TC00-104 In the Matter of the Application of PT-1 Counsel Inc. for a Certificate of Authority to Provide Telecommunications Services in South Dakota.**

PT-1 Counsel is seeking a Certificate of Authority to provide resold interexchange telecommunications services in South Dakota. The applicant is a switch-based reseller which intends to offer 1+ and 101XXXX direct outbound dialing, 800/888 toll-free inbound dialing, travel card services, and prepaid calling card services.

Staff Analyst: Heather Forney  
Staff Attorney: Camron Hoseck  
Date Docketed: 06/28/00  
Intervention Deadline: 07/14/00

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## WEEKLY FILINGS

For the Period of June 22, 2000 through June 29, 2000

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact  
Delane Kabe within two business days of the filing.  
Phone: 605-773-3705 Fax: 605-773-4000

### CONSUMER COMPLAINTS

**CT00-079** In the Matter of the Complaint filed by Fairy Garber, Wilson, South Dakota, against Excel Telecommunications, Inc. Regarding Unauthorized Switching of Services and Billing for Services.

The complainant alleges that her phone services were switched without her authorization and she received bills from Excel for unauthorized charges. The complainant is requesting compensation for the harassment.

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Staff Attorney: Karen Cremer  
Date Docketed: 06/22/00  
Intervention Deadline: NA

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On June 26, 2000, the Commission received a formal complaint from Theodore Kamstra on behalf of TECS indicating that its telecommunications service was switched without authorization.

Staff Analyst: Leni Healy  
Staff Attorney: Karen Cremer  
Date Docketed: 06/28/00  
Intervention Deadline: NA

### TELECOMMUNICATIONS

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Vivian Telephone Company, Vivian, South Dakota, filed a switched access rate study developing a revenue requirement that is included in the revenue requirement used to determine the switched access rates for the Local Exchange Carrier Association.

Staff Analyst: Heather K. Fomey  
Staff Attorney: Karen Cremer

**Intervention Deadline: 07/14/00**

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**Staff Analyst: Keith Senger**

**Staff Attorney: Karen Cremer**

**Date Docketed: 06/27/00**

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**Date Docketed: 06/28/00**

**Intervention Date: 07/14/00**

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**Staff Analyst: Heather Forney**

**Staff Attorney: Camron Hoseck**

**Date Docketed: 06/28/00**

**Intervention Deadline: 07/14/00**

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Lance J.M. Steinhart  
Attorney At Law  
6455 East Johns Crossing  
Suite 285  
Duluth, Georgia 30097

Also Admitted in New York  
and Maryland

Telephone: (770) 232-9200  
Facsimile: (770) 232-9208

September 26, 2000

**VIA OVERNIGHT DELIVERY**

Mr. William Bullard  
Executive Director  
South Dakota Public Utilities Commission  
300 East Capitol Avenue  
Ave. Pierre, SD 57501-5070  
(605) 771-3201

**RECEIVED**

SEP 27 2000

**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION**

Re: PT-1 Counsel Inc.  
TC00-104

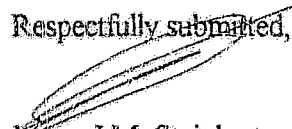
Dear Mr. Bullard:

Enclosed please find for filing an original and ten (10) copies of PT-1 Counsel Inc.'s bond in the amount of \$25,000.

I have also enclosed an extra copy of this cover letter to be date stamped and returned to me in the enclosed self-addressed prepaid envelope.

If you have any questions or if I may provide you with any additional information, please do not hesitate to contact me.

Respectfully submitted,

  
Lance J.M. Steinhart  
Attorney for PT-1 Counsel Inc.

Enclosures

cc: Gary Wasserson  
Heather Forney/South Dakota Public Utilities Commission

INDEMNITY BOND  
TO THE  
PEOPLE OF THE STATE OF SOUTH DAKOTA

Bond No. 9070-5941-293

We, PT-1 Counsel, INC., the principal and applicant for a CERTIFICATE OF AUTHORITY to resell long distance telecommunications services within the State of South Dakota, and Hartford Fire Insurance Company, as an admitted surety insurer, bind ourselves unto the Public Utilities Commission of the State of South Dakota and the consumers of South Dakota as Obligatee, in the sum of \$25,000.00.

The conditions of the obligation are such that the principal, having been granted such CERTIFICATE OF AUTHORITY subject to the provision that said principal purchase this Indemnity Bond, and if said principal shall in all respects fully and faithfully comply with all applicable provisions of South Dakota State Law, and reimburse customers of PT-1 Counsel, Inc. for any prepayment or deposits they have made which may be unable or unwilling to return to said customers as a result of insolvency or other business failure, then this obligation shall be void, discharged and forever exonerated, otherwise to remain in full force and effect.

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

Dated this 1st day of September, 2000.  
To be effective this 1st day of September, 2000.

PT-1 COUNSEL, INC.

By

HARTFORD FIRE INSURANCE COMPANY  
Surety

By

DAVID BOWCOTT

By

Attorney in Fact

Counterigned this 2nd day of  
September, 2000.  
Counterigned for South Dakota

By

Agent

Hartford, Connecticut  
**POWER OF ATTORNEY**

KATHY NESS, DAVID BOWCOTT, KELLY A. PARKER and JANICE OEHM  
of TORONTO, ONTARIO

The Charter of the City of Hartford and by authority of the By-Laws of HARTFORD FIRE INSURANCE COMPANY, ("the Company") as amended by the Board of Directors at a meeting of the Board of Directors on July 3, 1967, as follows:

THE FARMERS' GROUP LIFE AND FIRE INSURANCE COMPANY has caused these presents to be signed by its Assistant Vice-President, and its corporate seal to be hereunto affixed, this 14th day of May, 1999.



Robert L. Post, Assistant Vice President

2014年12月15日 星期一

**Harford**

And the said Robert L. Post, before me personally came Robert L. Post, to me known, who being by me duly sworn, did depose and say: that he resides in the County of Essex, State of Connecticut; that he is the Assistant Vice-President of HARTFORD FIRE INSURANCE COMPANY, the corporation described in and which executed the at and above that he attests the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the said corporation; and that he so attests by these words: by the order



# CERTIFICATE

*Jean H. Wozniak*  
Jean H. Wozniak  
Notary Public

Jean H. Wozniak  
Notary Public

My Commission Expires June 30, 2004

HARTFORD FIRE INSURANCE COMPANY, a Connecticut Corporation, DO HEREBY CERTIFY that the foregoing and attached POWER OF ATTORNEY is true and correct and has not been revoked; and furthermore, that Article IV, Sections 7 and 8 of the By-Laws of HARTFORD FIRE INSURANCE COMPANY, set forth in the foregoing, are hereby amended.

1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 26

Dated the 1st day of September 2000

*Edmund Byrne*



J. Henrichs Fare

J. Dennis Lane, Assistant Vice President



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

IN THE MATTER OF THE APPLICATION OF )	ORDER GRANTING
PT-1 COUNSEL INC. FOR A CERTIFICATE OF )	CERTIFICATE OF
AUTHORITY TO PROVIDE )	AUTHORITY
TELECOMMUNICATIONS SERVICES IN )	
SOUTH DAKOTA )	TC00-104

On June 28, 2000, the Public Utilities Commission (Commission), in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, received an application for a certificate of authority from PT-1 Counsel Inc. (PT-1).

PT-1 proposes to offer 1+ and 101XXXX direct outbound dialing, 800/888 toll-free inbound dialing, travel card services, and prepaid calling card services. A proposed tariff was filed by PT-1. The Commission has classified long distance service as fully competitive.

On June 29, 2000, the Commission electronically transmitted notice of the filing and the intervention deadline of July 14, 2000, to interested individuals and entities. No petitions to intervene or comments were filed and at its October 17, 2000, meeting, the Commission considered PT-1's request for a certificate of authority. Commission Staff recommended granting a certificate of authority, subject to a continuous \$25,000 surety bond. Commission Staff further recommended a waiver of ARSD 20:10:24:02(8).

The Commission finds that it has jurisdiction over this matter pursuant to SDCL Chapter 49-31, specifically 49-31-3 and ARSD 20:10:24:02 and 20:10:24:03. The Commission finds that PT-1 has met the legal requirements established for the granting of a certificate of authority. PT-1 has, in accordance with SDCL 49-31-3, demonstrated sufficient technical, financial and managerial capabilities to offer telecommunications services in South Dakota. Further, the Commission finds that there is good cause to waive ARSD 20:10:24:02(8). The Commission approves PT-1's application for a certificate of authority, subject to a continuous \$25,000 surety bond. As the Commission's final decision in this matter, it is therefore

**ORDERED**, that PT-1's application for a certificate of authority is hereby granted, subject to a continuous \$25,000 surety bond. It is

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

**FURTHER ORDERED**, that PT-1 shall file informational copies of tariff changes with the Commission as the changes occur.

Dated at Pierre, South Dakota, this 20<sup>th</sup> day of October, 2000.

**CERTIFICATE OF SERVICE**

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

Alfred Kello

10/23/00

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg  
JAMES A. BURG, Chairman

Pam Nelson  
PAM NELSON, Commissioner

Laska Schoenfelder  
LASKA SCHOENFELDER, Commissioner



# SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

## CERTIFICATE OF AUTHORITY

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

Authority was Granted October 17, 2000  
Docket No. TC00-104

*This is to certify that*

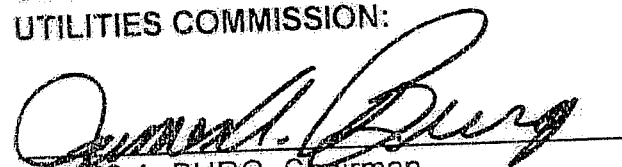
**PT-1 COUNSEL INC.**

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


This certificate is issued in accordance with SDCL 49-31-3 and ARSD  
2010:24.02, and is subject to all of the conditions and limitations contained in  
the rules and statutes governing its conduct of offering telecommunications  
services.

Dated at Pierre, South Dakota, this 20<sup>th</sup> day of October, 2000.

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION:

  
JAMES A. BURG, Chairman

  
PAM NELSON, Commissioner

  
LASKA SCHOENFELDER, Commissioner

