



TC05-001

210 N. Park Ave.
Winter Park, FL
32789

P.O. Drawer 200
Winter Park, FL
32790-0200

Tel: 407-740-8575
Fax: 407-740-0613
tmi@tminc.com

January 12, 2005
Via Overnight Delivery

RECEIVED
JAN 13 2005
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Ms. Pamela Bonrud
Executive Director
South Dakota Public Utilities Commission
Capitol Building, 1st Floor
500 East Capitol Avenue
Pierre, South Dakota 57501-5070

Re: Registration and Proposed Tariff – Phone1, Inc.

Dear Ms. Bonrout:

Enclosed are the original and ten (10) copies of the registration and proposed tariff of Phone1, Inc. A check in the amount of \$250.00 is attached for payment of the filing fee.

Please acknowledge receipt of this filing by returning, date-stamped, the extra copy of this cover letter in the stamped self-addressed envelope which is provided for that purpose.

Questions regarding this filing may be directed to me at (407) 740-8575. Thank you for your assistance in this matter.

Sincerely,

Monique Byrnes
Consultant to Phone1, Inc.

Enclosures
MB/jlh

cc: Jon Leath - Phone1
file: Phone1 - SD
tms: SDi0500

BEFORE THE
SOUTH DAKOTA PUBLIC SERVICE COMMISSION

TC05-001

RECEIVED

REGISTRATION OF
PHONE1, INC.

JAN 13 2005

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Pursuant to Rule 20:10:24:02 of the Commission's Telecommunications Services Rules, Phone1, Inc.
("Phone1") submits the following registration information:

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

Phone1, Inc. ("Phone1")
100 North Biscayne Boulevard, 25th Floor
Miami, Florida 33132
Phone: 305-371-3300
Fax: 305-371-4686
Toll-Free: 866-674-6631

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

Same as subdivision (1).

3. If the applicant is a corporation:

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

Phone1, Inc. was incorporated on December 6, 2000 under the laws of the State of Florida. A copy of the applicant's Secretary of State authority in South Dakota is included as Attachment I.

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

Phone1 has no principal office in South Dakota.

Registered Agent: National Registered Agents, Inc.
300 So. Phillips Avenue, Suite 300
Sioux Falls, SD 57102

3. If the applicant is a corporation: (cont'd.)

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

Phone1 is wholly owned by Phone1GlobalWide, Inc., a publicly traded company whose address is the same as that of the Applicant.

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

Not applicable.

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

Phone1 will provide operator assisted services to call aggregator locations in the State of South Dakota in accordance with the rules and regulations set forth by the Commission. Phone1's service will allow access to emergency services (911) and the operator (0-). Phone1 will provide access to interexchange carriers certificated in South Dakota via access code dialing. Service will be provided twenty-four (24) hours per day, seven (7) days a week.

Phone1 direct dial services are accessed by having customers drop coins into a pay telephone. No billing is involved with this service. For operator services, Phone1 will utilize the services of a billing clearinghouse so that customers will be billed through their local exchange company. Phone1's toll-free telephone number for customer inquiries and complaints is 866-674-6631. The Customer Service Department is staffed twenty-four (24) hours per day, seven (7) days per week.

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

Phone1 is a reseller of interexchange telecommunications services. The applicant currently owns 1 switch in New York and 1 switch in Florida. Calls will be routed to the company switch and transported via the resold services of the company's underlying carrier(s). Phone1 has no plans to construct switching or transmission facilities in South Dakota.

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

Phone1 intends to offer its services throughout the State of South Dakota.

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

Please See Attachment II.

In lieu of filing a \$25,000 bond, Applicant agrees to abide the following restrictions: the Applicant will not require deposits, advance payments, or monthly recurring charges billed in advance.

The Company's tariff is provided in Attachment III.

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

For inquiries regarding this application and tariff, contact:

Monique Byrnes, Consultant to Phone1, Inc.
Technologies Management, Inc.
210 N. Park Avenue
Winter Park, FL 32789
Phone: 407-740-8575
Fax: 407-740-0613

For complaints and on-going regulatory issues:

Jon Leath, Director – Operator Services/Regulatory
Phone1, Inc.
100 North Biscayne Boulevard, 25th Floor
Miami, Florida 33132
Phone: 305-371-3300
Fax: 305-371-4686
Toll-Free: 866-674-6631
E-Mail: jleath@phone1.com

For all other matters, contact:

Jon Leath, Director – Operator Services/Regulatory
Phone1, Inc.
100 North Biscayne Boulevard, 25th Floor
Miami, Florida 33132
Phone: 305-371-3300
Fax: 305-371-4686
Toll-Free: 866-674-6631
E-Mail: jleath@phone1.com

The Customer Service Department is staffed twenty-four (24) hours a day, seven (7) days a week. The toll-free number is 866-674-6631.

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

Phone1, Inc. is just beginning to file applications nationwide. At this time the Company is authorized to provide service in the following states: Arkansas, California, Colorado, Florida, Georgia, Idaho, Indiana, Kentucky, Massachusetts, Michigan, New Jersey, New York, Oregon, Vermont, Virginia, Wisconsin and Wyoming.

The applicant has never been denied registration or certification in any state. The applicant is in good standing with the appropriate regulatory agency in the states where it is registered or certified.

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

Phone1 intends to market its services directly to pay telephone owners. The company does not offer charity programs nor does it employ a multi-level marketing approach.

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

As a provider of resold long distance services only, the services and rates in the Company's tariff are all competitive services. Therefore no cost support is provided.

13. **Federal tax identification number:**

Phone1's federal tax identification number is 65-1060211.

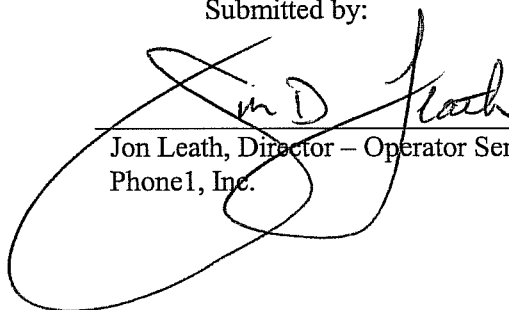
14. The number and nature of complaints filed against the applicant with any state or federal regulatory commission regarding the unauthorized switching of a customer's telecommunications provider and the act of charging customers for services that have not been ordered.

Phone1 has had no complaints filed against it.

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

None.

Submitted by:



Jon Leath, Director – Operator Services/Regulatory
Phone1, Inc.

ATTACHMENT I

Authority to Operate in South Dakota

State of South Dakota



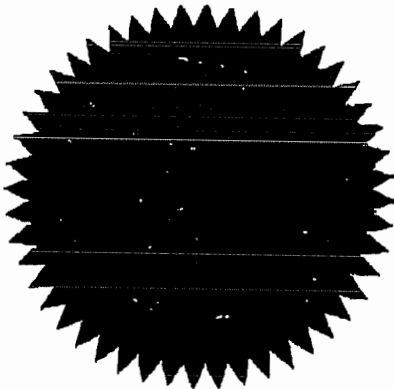
OFFICE OF THE SECRETARY OF STATE

Certificate of Good Standing Foreign Corporation

ORGANIZATIONAL ID #: FB028198

I, **Chris Nelson**, Secretary of State of the State of South Dakota, do hereby certify that **PHONE1, INC.** was authorized to transact business in this state on **February 2, 2004** I, further certify that said corporation has complied with the South Dakota law governing foreign corporations transacting business in this state, and so far as the records of this office show, said corporation is in good standing in this State at the date hereof and duly authorized to transact business in the State of South Dakota. This certificate is not to be construed as an endorsement, recommendation or notice of approval of the corporation's financial condition or business activities and practices. Such information is not available from this office.

IN TESTIMONY WHEREOF, I
have hereunto set my hand and
affixed the Great Seal of the State of
South Dakota, at Pierre, the Capital,
this December 17, 2004.



A handwritten signature of Chris Nelson in cursive script.

Chris Nelson
Secretary of State

ATTACHMENT II

Financial Statements

As proof of its financial capability, Phone1, Inc. is providing the financial statements of its parent company, Phone1GlobalWide.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-KSB

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2004

PHONE1GLOBALWIDE, INC.

(Exact name of Registrant as specified in its Charter)

Delaware

(State or other jurisdiction of incorporation)

333-05188-A

(Commission File No.)

65-0669842

(IRS Employer Identification No.)

100 N. Biscayne Blvd., Suite 2500

Miami, Florida 33132

(Address of principal executive offices, Zip Code)

(305) 371-3300

(Issuer's Telephone Number, including Area Code)

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, \$.001 par value

(Title of class)

Check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during

he preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Check if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be obtained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ☐

The registrant's revenues for its most recent fiscal year \$14,150,177

State the aggregate market value of the voting stock held by non-affiliates of the registrant on June 15, 2004 computed by reference to the average bid and asked prices of such stock: \$53,564,702.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 144,778,423 shares of common stock, \$.001 par value as of June 15, 2004.

Transitional Small Business Disclosure Format (check one): Yes ☐ No ☒

PHONE1GLOBALWIDE, INC.

ANNUAL REPORT ON FORM 10-KSB

FOR THE YEAR ENDED MARCH 31, 2004

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FORWARD-LOOKING AND CAUTIONARY STATEMENTS

Sections of this Form 10-KSB, including the Management's Discussion and Analysis or Plan of Operation, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), Section 21E of the Securities and Exchange Act of 1934, as amended (the Exchange Act), and the Private Securities Litigation Reform Act of 1995, as amended. These forward-looking statements are subject to risks and uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. You should not unduly rely on these statements. Forward-looking statements involve assumptions and describe our plans, strategies, and expectations. You can generally identify a forward-looking statement by words such as may, will, should, expect, anticipate, estimate, believe, intend, contemplate or project. This report contains forward-looking statements that address, among other things,

- our business and financing plans,
- regulatory environments in which we operate or plan to operate, and
- trends affecting our financial condition or results of operations, the impact of competition, the start-up of certain operations, roll out of products and services and acquisition opportunities.

Factors, risks, and uncertainties that could cause actual results to differ materially from those in the forward-looking statements include, among others,

- our ability to raise capital,
- our ability to obtain and retain distribution for our products and services,

- our ability to roll out products and services,
- our ability to provide our products and services at competitive rates,
- our ability to execute our business strategy in a very competitive environment,
- our degree of financial leverage,
- risks associated with acquiring and integrating companies into our own,
- risks associated with rolling out products and services,
- risks relating to rapidly developing technology and providing services over the Internet;
- regulatory considerations and risks related to international economies,
- risks related to market acceptance and demand for our products and services,
- our dependence on third party suppliers and technology developers,
- the impact of competitive services,
- risks associated with economic conditions and continued weakness in the U. S. securities market and
- other risks referenced from time to time in our SEC filings.

With respect to any forward-looking statement that includes a statement of its underlying assumptions or bases, we caution that, while we believe such assumptions or bases to be reasonable and have formed them in good faith, assumed facts or bases almost always vary from actual results, and the differences between assumed facts or bases and actual results can be material depending on the circumstances. When we express an expectation or belief as to future results, that expectation or belief is expressed in good faith and is believed to have a reasonable basis, but we cannot assure that the stated expectation or belief will result or be achieved or accomplished. All subsequent written and oral forward-looking statements attributable to us, or anyone acting on our behalf, are expressly qualified in their entirety by the cautionary statements. We do not undertake any obligations to publicly release any revisions to any forward-looking statements to reflect events or circumstances after the date of this report or to reflect unanticipated events that may occur.

* * *

The terms "Phone1Globalwide," the "Company," "we," "our," and "us" as used in this report refer to Phone1Globalwide and/or its subsidiaries, as the context may require.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Corporate background

We were initially organized on May 17, 1996 in Florida, under the name Win-Gate Equity Group, Inc., for the purpose of locating and effecting business combinations with existing businesses. We have since changed our name to Phone1 Globalwide Inc. and reincorporated as a Delaware corporation. On January 21, 2000, we acquired all of the stock of Globaltron Communications Corporation ("GCC"), a Delaware corporation. On June 13, 2001, we also acquired all of the stock of Phone1, Inc. ("Phone1"), a Florida corporation, for 12.0 million restricted shares of our common stock and the assumption of approximately \$3.0 million of outstanding debt.

On November 16, 2001, we entered into a joint venture agreement with MTG Interconnection LC ("MTG"), a Florida limited liability company, to form Phone1 Smart, LLC, a Delaware limited liability company. We own 51% of Phone1 Smart which has not provided any substantial services during the year ended March 31, 2004 ("Fiscal Year 2004").

Our executive office is located at 100 North Biscayne Boulevard, Suite 2500, Miami, Florida 33132 and our telephone number is (305) 371-300.

Overview

We are a United States based telecommunications company. Our current primary telecommunications offerings are coin sent services from public payphones and wholesale carrier services. Since the third quarter of the Fiscal Year 2004 we also have begun to offer operator assisted calling and collect call services.

The coin sent services over public payphone are conducted by Phone1. The core product of Phone1 consists of direct dialed domestic and international long distance calls to most countries in the world for \$.25 to \$1.00. The duration of a call depends on its destination. The product is designed for use by immigrants and tourists, as a simple way to stay in touch with family and friends and is available from payphones in the United States. Each call is rated according to a preset pricing structure consisting of a number of minutes for the destination dialed by the customer.

The customer dials 011+ the country code and destination for international calls and 1+ the number for domestic calls. After dialing the number and prior to depositing the coins a voice prompt tells the customer how many minutes such customer will be able to talk for a predetermined amount of money, which varies depending on the destination. The call is routed to our platform, which provides fraud detection and prevention as well as generates call detail records. The platform then processes the call and switches it to our network. We are inter-connected with several major carriers as well as carrier service providers to specific countries. The customer recognizes the service availability by our bright yellow signature handset installed on the payphone.

As of March 31, 2004, we provided Phone1 service in approximately 100,000 smart payphones and 1,000 dumb phones nationwide. These payphones are operated by independent phone companies as well as Regional Bell Operating Companies (RBOC). We plan to continue the roll-out of our Phone1 services nationwide, utilizing our existing VOIP/ATM switching networks as well as other third party telecommunication providers.

We also offer telephone traffic to United States-based local and long distance (domestic and international) companies to termination points outside the United States. This business is conducted through GCC. Our switch facilities are capable of processing long distance calls as arbitrage sales and carrier sales. We currently have two main switch facilities, one located in New York, New York and the other in Miami, Florida. The two locations are interconnected by a backbone with different vendors for redundancy purposes. The switches support different types of signaling to accommodate our customers and vendors.

Arbitrage sales occur when we transport an international long distance call to a foreign destination where we do not maintain a facility. In these cases, we transport the call to the foreign destination based upon agreements between us and various third party telecommunications carriers. Arbitrage sales represented approximately 47.5% of our revenues for Fiscal Year 2004. We do not do carrier sales.

We have also successfully tested and begun the roll-out of operator assisted calling and collect call services in January 2003. The service is currently in place for payphones at airports in Atlanta, Georgia, Charlotte, North Carolina, Louisville, Kentucky and Greenville, South Carolina. The service can be programmed on various payphone types and we intend to roll out the services throughout the country including 50 airports that we currently provide Phone1 services. Additionally, in December 2003 we have contracted with China Network Communications Group to provide operator assisted calls for calls from payphones in China to the United States, we intend to roll out this service during the quarter ending December 31, 2004. The access will be made available from payphones located in airports throughout the China Network Communications coverage area. The calls can be made collect or can be paid for with a credit card, calling card or can be billed to a third party. We also plan to promote an 800 access collect call and credit card billed call program with China Network.

We are entering into strategic alliances with local telecommunication companies (PTTs) in the countries that have a substantial number of immigrants in the United States. We intend to launch in conjunction with different PTTs, such as ETB in Colombia and Codetel in the Dominican Republic, telecom products for the specific immigrant groups in the United States.

Strategy

Capitalization of increasing immigrant population

We intend to capitalize on the rapidly increasing immigrant population in the United States, initially focusing on immigrants from Latin America and the Caribbean, since they are one of the fastest growing segments of immigrants in the United States. Our plan is to provide both international and domestic long distance services through Phone1-enabled payphones at competitive rates to those immigrants.

We intend to capture a large portion of the calls from payphones made by these immigrants through our local brand-awareness campaigns which include the following elements:

- Yellow handsets co-branded with some of our telephone customers' logos such as Verizon, Sprint, and SBC Communications. The distinctive yellow handset with the bright green Phone1 logo complemented by the customer's logo calls attention to our phone services and communicates to customers immediately that a particular phone is Phone1-enabled.

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- Colorful point-of-sales ("POS") materials at the phone site advertising Phone1 services and instruction for use in multiple languages including rate information for the end-user.
- Advertising on radio, newspapers and on mass transit displays (e.g., buses, subways, airports etc.) in support of the commencement of Phone1 services.
- Sales assistance around new Phone1-enabled sites and help customers understand how to use the service, emphasizing the simplicity and inexpensive cost of the service.

Strategic alliances with PTTs

We are entering into strategic alliances with major telecommunications companies in different countries in Latin America and the Caribbean, to develop retail and commercial telecommunication services with the Phone1 brand in the United States. We believe that these alliances will help to generate name recognition for the Phone1 name and increase the use of the Phone1 services by immigrants from Latin America and the Caribbean.

Payphone industry overview

Since the early eighties, the telecommunications industry has undergone a period of fundamental change, which has resulted in growth in international telecommunications traffic, driven principally by the following factors:

- Increases in the availability of telephones and the number of access lines in service around the world, stimulated by technological advances.
- Opening of overseas telecommunications markets due to deregulation and the privatization of state-owned monopoly carriers, permitting the emergence of new carriers.
- Globalization of commerce and travel, which increases the need for communications.
- Reduction of international long distance rates, which makes international calling available to a much larger customer base and increases traffic volumes.
- Increased availability and quality of digital undersea fiber optic cable, which enables long distance carriers to improve the quality of their service while reducing customer access cost.
- Increased immigration and foreign visitors to the United States.

" " " At the time of the divestiture of AT&T " in " 1983 , the Federal Communications Commission ("FCC") opened the public communications arena to individuals and companies to provide " payphone " services. " Over the years, the FCC " has " enacted rules to encourage " payphone expansion to meet increasing demand for " communication " . "

During the late nineties, competition intensified due to deregulation " . At " the same time " wireless access became a substitute product for those capable of paying for it " . " Finally, prepaid calling cards grew in " popularity and further eroded margins for " payphone operators. "

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We estimate " there are approximately 1.5 million " payphones in the United States. " The major telecommunications companies, including Verizon, SBC, AT&T, Sprint, Qwest and Cincinnati Bell, dominate the " payphones market . " The remaining " payphones are managed and owned by " independent payphone operators ("TPPs") and independent local exchange carriers ("LECs").

" " " " Services

Phone1 Services

We offer domestic and international long distance telephone calls from third party owned payphones in the United States at competitive consumer rates. The core product consists of direct dialed international and domestic long distance calls for the amount of coins deposited to most countries in the world for \$.25 to \$1.00. The duration of a call depends on its destination. The product is designed for use by immigrants and tourists, as a simple way to stay in touch with family and friends and is available from payphones in the United States. Each call is rated according to a preset pricing structure consisting of a number of minutes for the destination dialed by the customer.

The customer dials 011+ the country code and destination for international calls and 1+ the number for domestic calls. After dialing the number and prior to depositing the coins a voice prompt tells the customer how many minutes such customer will be able to talk for a predetermined amount of money, which varies depending on the destination. The call is routed to our platform, which provides fraud detection and prevention as well as generates call detail records. The platform then processes the call and switches it to our network.

" A customer can make a call for \$.25 to \$1 in coins for from one to ten minutes. " There are no hidden charges or fees for the customer as is the case with many alternative " payphone services such as calling cards. " The Phone1 program does not require continuous high distribution costs. " We seek to make use of efficient media and POS materials to create customer awareness. " Payphones on which the Phone1 service is available continue to be operated and maintained by the " payphone operators. The " payphone owner is responsible for installation of signage and the branded bright yellow handset that is present on almost all " payphones on which the Phone1 service is offered. As part of our agreement we generally provide the first yellow handset and the signage that goes on the payphones. Payphone operators are responsible for the replacement handsets. The standard Phone1 agreement permits payphone owners to collect their revenues immediately, unlike dial " - around commissions relating to 800 numbers in which phone calls are processed dialing around the payphone operators presubscribed carrier and which may or may not be paid, and which typically take substantially longer to collect. " We believe that these arrangements give us a

competitive advantage.

We are inter-connected with several major domestic carriers such as WilTel and Global Crossing, as well as specific international carriers that provide termination to Phone1's target market, the home countries of the largest Latin American immigrant groups such as Colombia, Peru, Mexico, Ecuador, Honduras and the Dominican Republic.

We provide a high quality and competitive priced product. Unlike the hidden fees associated with the prepaid calling market, we provide a product that will return all of the end users money back if the call fails to complete.

As of March 31, 2004, we provided Phone1 service in approximately 100,000 smart payphones and 1,000 dumb phones nationwide. These payphones are operated by independent phone companies as well as Regional Bell Operating Companies (RBOC). We plan to continue the roll-out of our Phone1 services nationwide, utilizing our existing VOIP/ATM switching networks as well as other third party telecommunication providers.

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Wholesale services

We offer telephone traffic to United States based local and long distance (domestic and international) companies to termination points outside the United States. This business is conducted through our subsidiary GCC. Our switch facilities are capable of processing long distance calls as arbitrage or carrier sales. Arbitrage sales occur when we transport an international long distance call to a foreign destination where we do not maintain a facility. In these cases, we transport the call to the foreign destination based upon agreements between us and various third party telecommunications carriers. Arbitrage sales represented approximately 47.5% of our revenues for Fiscal Year 2004. We no longer execute carrier sales because we closed the foreign facilities we owned in the first quarter of the year ended March 31, 2003 ("Fiscal Year 2003").

Operator assisted calling and collect call services

We have also successfully tested and begun the roll-out of operator assisted calling and collect call services in January 2003. The service is currently in place for payphones at airports in Atlanta, Georgia, Charlotte, North Carolina, Louisville, Kentucky and Greenville, South Carolina. The service can be programmed on various payphone types and we intend to roll out the services throughout the country including 50 airports that we currently provide Phone1 services. Additionally, in December 2003 we have contracted with China Network Communications Group to provide operator assisted calls for calls from payphones in China to the United States, we intend to roll out this service during the quarter ending December 31, 2004. The access will be made available from payphones located in airports throughout the China Network Communications coverage area. The calls can be made collect or can be paid for with a credit card, calling card or can be billed to a third party. We also plan to promote an 800 access collect call and credit card billed call program with China Network.

We plan to continue to market operator assisted calls and collect calls to our current base of payphone providers and through our domestic and international alliances.

Other Services

We are entering into strategic alliances with PTT in the countries that have a substantial number of immigrants in the United States. We intend to launch in conjunction with different PTTs such as ETB in Colombia and Codetel in the Dominican Republic, telecom products for the specific immigrant groups in the United States.

Use of technology

Long distance calls could not be efficiently made by dialing directly from payphones with coins due to fraud and antiquated technology. We, through third-party design teams, have developed proprietary firmware and software, enabling various models of payphones to provide Phone1

enhanced service. Certain aspects of the technology developed by us have patent pending status.

Payphones can be classified as “smart” and “dumb” phones. Smart phones employ microprocessor and memory chip technology that enables them to perform functions that dumb phones cannot perform. We estimate that smart phones represent 60% of the payphone market.

Smart phones

Smart payphones have an internal processor that identifies whether the call being made is local or long distance and determines the appropriate rate. Most processors are also able to play a voice prompt that tells the customer how much money to deposit. The smart phone has the means for determining complete and incomplete calls based on standard protocols in communications. It also controls the collection or refund of coins.

The smart phone technology developed in the early 80s also involves the use of methods of answer supervision and answer detection necessary to validate the call being answered by the person called from our platform. In the past, due to the non-standard ring cadence and system messages that vary throughout the world, the existing technology in the payphones did not always recognize an answered call correctly, resulting in the collection of deposited coins even if the call was not answered or in the completion of calls without the need to deposit any money.

These functions are now performed by the platform software and switches, which verifies presubscribed data base, processes the call, and serves to curtail and limit our exposure to fraud. The proprietary platform performs these functions and signals the payphone to either collect or refund the coins that are deposited. We have the ability to set predetermined caps or limits based on the phone number initiating the call. This limits our exposure to fraud.

Fraud has been a significant concern for payphone international and domestic long distance service. The problem highly impacts on international calls which usually involve higher costs to the customer. The most common type of fraud is the “clipping on,” whereby existing phone wiring is modified to bypass an operator’s service. In order to prevent clipping on, the operator had no alternative except to block international or domestic calls through the telephone company central office.

In collaboration with smart phone manufacturers, we developed technology that allows 011 international calls to be blocked at the central office without disabling international calling from the payphone. This is accomplished via access numbers and pin numbers preprogrammed into the smart phone which interact with our platform data base in order for the call to be placed. This process is transparent to the customer, who dials, deposits the coins and hears the call progress tones in the same manner as if he were using a dumb phone. Payphones enabled with our specially designed versions of firmware and software are capable of performing all of these functions.

Dumb phones

We have been exploring ways to extend our service to dumb payphones without compromising the quality of our service or increasing our exposure to fraud. In March 2004, we entered into a ten-year exclusive agreement with CoSpeed LLC, a manufacturer of hardware for telecom operators, for the rights to market, distribute, install, use and maintain proprietary technology that allows dumb payphones to provide for domestic 1 + toll calls, 011 + international calls and other calls to be routed to our Phone1 network. This technology also features voice prompts that announce the rate to the customer, as well as antifraud control.

Dumb phones must incorporate our platform-driven enhancements since there is no microprocessor included in the phone. This technological innovation allows us to expand the Phone1 market beyond smart payphones. We have entered into an agreements in December 2002 to offer Phone1 service to a RBOC representing an aggregate of approximately 170,000 payphones. The vast majority of these payphones use dumb phone technology.

Licensing and Development

CoSpeed smart payphone technology .

On March 22, 2004, Phone1, Inc. entered into a ten-year exclusive license agreement with CoSpeed to market, distribute, install, use and maintain CoSpeed's proprietary technology in payphones. Phone1 currently has contractual agreements for placement in up to 170,000 RBOC payphones. When installed in a dumb phone, the device allows for domestic 1+ toll calls and 011+ international calls as well as other calls to be routed to the Phone1 network. Voice prompts announce the rate for the called destination. Once the coin is deposited and our antifraud control technology approves it, the call is routed to the Phone1 platform. This technology allows various rates and route codes to any destination in the world. The product also provides alarm features and communicates with a Management System Software available for UNIX and Windows-based applications.

This technology effectively converts dumb phones to smart technology thus allowing us to expand our potential market. The product can be integrated into approximately one million existing payphones in North America.

Since the execution of this agreement, we have been working with CoSpeed in the customization of certain technical features of the software to adapt it to our customer's requirements. We are currently in the process of installing approximately 15,000 units of this software on our customer's dumb phones.

Proprietary firmware in Protel phones .

On July 24, 2001, Phone1 entered into an agreement with Protel Inc., a leading manufacturer of smart payphone technology, to install proprietary firmware in Protel smart phones that allows for an increase, from nine to 290, in the number of country codes that can be defined and rated or priced differently. Firmware can be installed exclusively in Protel smart phones that feature Phone1 service. We also have the exclusive right to deploy proprietary answer detection (a method of signaling) capability. This function enables the customer to hear the ringing or busy signal as the call progresses, and thereby aids in customer satisfaction when collecting or refunding the coins deposited. It also controls the duration period of each deposit for compatibility with Phone1's billing platform. We estimate that there are currently approximately 650,000 Protel brand smart payphones deployed in the United States.

This agreement has a term of five years, with one five-year renewal upon mutual agreement between the parties.

QuorTech routing software .

In June 2002, we entered into an agreement with QuorTech Solutions, Inc., a telecommunications software developer, to exclusively license a specially developed software version of QuorTech's family of products. The software routes international coin type calls to our platform. The proprietary version of the software specially designed for us includes enhancements that increase the rating table for international calls to at least 100 destinations at different rates and incorporates answer detection capability from our platform. It also provides a precise call duration control for billing purposes. We estimate that there are currently over 800,000 payphones installed throughout the United States and Canada that incorporate QuorTech technology. The terms and conditions of the agreement, including pricing, implementation and enhancement of the software, are being renegotiated with QuorTech.

This licensing agreement has a term of three years and is automatically renewed for twelve-months terms unless either party communicates to the other its intention to terminate the agreement.

From time to time, we enter into agreements with third-party software engineers, designers and consultants for the development of technology and software. On February 2003, we entered into a license agreement with a third party vendor to develop and license to us, on an exclusive basis, custom-designed scripts to be embedded in the licensor's software program, which provides switch control to interact with the protocols of the public network and our platform. The scripts define the sequence to be dialed out by the payphone in a specific cadence and validates the phone number from where the call is being placed. The scripts are configured to provide voice prompts requesting the correct amount of coins for the destination dialed, sense the coins deposited and provide the appropriate coin collection phone to our daughter board. We intend to acquire an exclusive, perpetual, worldwide license for the scripts for one year with the option of buying a longer period. The software in which the scripts are embedded will remain the sole property of the licensor; however, the licensor may not use the software that includes our scripts, for itself or for the benefit of any other person. We are renegotiating the terms of this agreement with the third party vendor in order to modify capacity requirements and other terms under the agreement.

On April 15, 2002 we entered into an agreement with two parties for consulting and engineering services. Under the agreement they were responsible for providing engineering services for network interface testing and system evaluations, prototype design and testing services for products and for the design and translation between LECs and IXC's systems that operate coin operated system and regulated payphones systems. (See Part 1 item 3.)

Payphone operators

The agreements discussed below call for the rollout of our Phone1 service over a specified period of time. We anticipate that we will need to raise substantial additional capital in order to achieve the rollout of our products. To be able to generate revenues from our Phone1 service, we must first enter into service agreements with payphone service providers. Since the launching of our Phone1 service in 2001, we have entered into agreements with over a hundred payphone service providers that operate approximately one million payphones.

We are actively seeking additional funding from a variety of sources to roll out our services, including potential issuances of our securities in one or more private transactions. However, we make no assurances that we will be able to obtain such financing or, if obtained, that it will be on terms profitable to us. We may incur substantial costs in obtaining financing and any equity financing will likely result in significant dilution of existing shareholders.

The following are our principal agreements with payphone service providers:

- December 10, 2002 agreement with SBC Services, Inc. SBC payphones are located in 13 states in the United States. As of the end of Fiscal Year 2004, we have rolled out our Phone1 service in approximately 30,000 SBC payphones. We expect to begin the rollout of our Phone1 service in 100,000 SBC payphones over the next 12 months. This agreement, which has been amended, has a term of five years.
- July 29, 2002 agreement with Telesector Resources Group, Inc.(a Verizon company). Their payphones are mainly located in New York City. We began the rollout of our Phone1 service during the third quarter of 2002. We have installed our Phone1 service in over 45,000 Verizon payphones and plan to install the service in an additional 45,000 payphones during the next three years. This agreement has a term of three years.

- July 1, 2002 agreement with Qwest Interprise America for payphones located outside their operational regions for LEC services. We began the rollout of our Phone1 service in April 03, 2003. We have installed our Phone1 service in over 10 locations before Qwest sold its out of region payphones under this agreement. We are now in negotiations with Qwest to roll-out the Phone1 service in Qwest approximately 60,000 in region payphones through it's recently announce agreement with FSH Communications.
- January 14, 2002 agreement with Sprint Corporation. Sprint payphones are mainly located in Southeast, Midwest and Southwest. We began the roll-out of our Phone1 service in April 2002. At March 31, 2004, we had installed our Phone1 service in 1,352 Sprint payphones and plan to install the service in an additional 2,500 payphones by January 2005. This agreement has a term of three years.

Sales and marketing

Our sales and marketing approach is to build long-term business relationships with payphone operators such as SBC, Verizon, AT&T, Primus, IDT to offer our Phone1 and carrier services. On the Phone1 side, a team of three sales and marketing representatives focus primarily on the RBOCs and several hundred independent payphone operators. During the year end March 31, 2004 we had one sale person on the wholesale business side locating potential customers by several methods, including customer referral, market research, cold-calling, and networking alliances.

Competition

The markets in which we currently operate and plan to operate are extremely competitive and can be significantly influenced by the marketing and pricing decisions of larger industry participants. Some of our competitors have significantly greater financial resources than us. As a result, they may be able to devote more funds to the promotion of their business. In addition, there are barriers to entry in many of the telecommunications and internet markets in which we compete and plan to compete. We expect competition in these markets to intensify in the future.

We compete for customers primarily based on price and, to a lesser extent, on the type and quality of service offered. Our competitors include large, facilities-based, multinational carriers and smaller facilities-based long distance service providers, pre-paid phone cards and dial-around services providers.

Increased competition could force us to reduce our prices and profit margins if competitors are able to procure rates or enter into service agreements that are comparable to or better than those we obtain, or if they are able to offer other incentives to existing and potential customers. We could also face significant pricing pressure if we experience a decrease in the volume of minutes that we carry on our network, as our ability to obtain favorable rates from our carriers depends, to a significant extent, on our total volume of international long distance call traffic. There is no guarantee that we will be able to maintain the volume of international long distance traffic necessary to obtain favorable rates. The development by a competitor of a similar or superior product or pricing competition may result in a decrease of our revenues.

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Employees

As of March 31, 2004, we employed 39 individuals on a full time basis. We believe that our future success will depend on our continued ability to attract and retain highly skilled and qualified employees. None of our employees is subject to a collective bargaining agreement. We believe that our relations with employees are good.

ITEM 2. DESCRIPTION OF PROPERTY

Our corporate headquarters and principal executive offices and network operations center is located at 100 North Biscayne Blvd., Miami, Florida, where we occupy approximately 12,980 square feet under a lease that expires in November 2009. Annual rentals are as follows:

<u>Lease Year</u>	<u>Annual Rental</u>
2004	\$350,460
2005	\$364,478
2006	\$379,016
2007	\$394,202
2008	\$409,908

We also pay certain expenses relating to the premises. On April 21, 2003, we filed suit against the landlord of this property seeking a determination that we had been constructively evicted from the premises due to inadequate ventilation and poor air quality. Please refer to "Item 3. Legal Proceedings" below for additional information. The relocation of our offices could disrupt our business and materially and adversely affect our operations.

Our corporate headquarters and principal executive office was previously located in New York, New York, where it had occupied approximately 4,749 square feet under a lease that expires in July 2010. We entered into sublease agreement with a third party to occupy this facility. This sublease agreement is set to expire in July 2010.

We also lease co-location space for our telephonic switching equipment in New York, New York. Currently, the lease cost incurred by us for such space in New York City is \$19,200 per month.

ITEM 3. LEGAL PROCEEDINGS

We have been and are involved in various lawsuits, either as plaintiff or defendant, and have been and are the subject of various claims, in the ordinary course of business. In the opinion of management, the outcome of these lawsuits and claims will not have a material impact on our consolidated financial statements.

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Spitfire Merchants, Ltd. v. Globaltron Corporation f/k/a Win-Gate Equity Group, Inc., n/k/a Phone1 Globalwide, Inc. was filed in June 5, 2001 in the Eleventh Judicial Circuit Court in and for Miami-Dade County, Florida. The lawsuit seeks damages for alleged breach of contract in connection with the purchase of shares in Globaltron Corporation, a former name of Phone1 Globalwide, Inc. Spitfire alleges that it was not given the correct amount of shares and that some of the shares it received were restricted, allegedly in violation of Spitfire's subscription agreement with Globaltron Corporation. Spitfire has sought damages in excess of \$1,000,000.00, which we disputed. In our answer, we asserted the affirmative defenses of failure to mitigate damages and failure of consideration. The case was settled, resulting in a voluntary dismissal filed on March 25, 2004. Under the settlement agreement, we paid Spitfire \$60,000, which sum was recorded as a charge in the Fiscal Year 2004.

Daleen Technologies, Inc. v. Phone1, Inc. and Globaltron Communications Corporation was filed on April 1, 2002 in the Fifteenth Judicial Circuit Court in and for Palm Beach County, Florida. Daleen sought damages in the approximate amount of \$700,000.00 for alleged breach of a software license agreement, specifically payment of monthly licensing and maintenance fees. Phone1 denied the allegations and filed a counterclaim against Daleen seeking damages for breach of the software license agreement, breach of express warranty, breach of an implied warranty of fitness for a particular purpose, money had and received, and unjust enrichment. Phone1 sought damages in excess of \$1,000,000.00, which sum was comprised of (1) a refund of approximately \$520,000.00 for licensing fees paid to Daleen, and (2) \$500,000.00, representing the amounts paid by Phone1 to a third party to assist in implementing and hosting the software licensed from Daleen. Daleen later amended its complaint to add GCC as a defendant and to add additional claims against Phone1. Phone1 and GCC answered the amended complaint, denied the allegations and asserted affirmative defenses. Phone1 and GCC amended their counterclaim to add claims (a) to reform the license agreement to conform to the parties' understanding regarding GCC's use of the software and (b) for declaratory judgment regarding the same issue. Daleen answered the amended complaint, denied the allegations and asserted affirmative defenses. The case was settled on August 5, 2003 and Phone1 and GCC fulfilled their obligations under the settlement agreement as of February 5, 2004. Under the settlement agreement, we agreed to pay the vendor \$365,000, of which, \$250,000 was paid on August 19, 2003, \$57,500 was paid on October 27, 2003 and the balance of \$57,500 was paid on February 3, 2004, together with interest at the rate of 10% per annum. We recorded a \$143,000 charge during Fiscal Year 2004.

Eric Frizza v. Phone1, Inc., Dario Echeverry, et al. was filed on March 14, 2002, in the Eleventh Judicial Circuit in and for Miami-Dade County, Florida, seeking declaratory relief and damages for breach of contract in connection with Mr. Frizza's alleged 1.5% equity interest in Phone1. Both Phone1 and Echeverry, our Chief Executive Officer and member of our Board of Directors, filed answers denying that Frizza was entitled to any relief, other than payment he has already been paid for various services he performed for Phone1. Initial requests for production propounded to Echeverry have been answered. Thereafter, an order was entered requiring Frizza to show cause. The case was dismissed on May 16, 2003.

Captivad Media Corp. v. Motion Display Systems, Inc. and Phone1, Inc. was filed in the Fifteenth Judicial Circuit in and for Palm Beach County, Florida. In that complaint, Captivad sought damages for breach of contract regarding advertising done in the Sawgrass Mills Mall. There was an indemnification agreement between Motion Display Systems and Phone1, whereby Motion Display Systems agreed to defend Phone1 in this action and indemnify Phone1 against any judgments for Captivad or any other settlements. Motion Display Systems has affirmed its obligations under that agreement, agreeing to defend and indemnify Phone1.

Fire Sign, Inc. v. Phone1, Inc. : In July 2002, Fire Sign, Inc. sought an injunction in the Southern District of Florida against Phone1 asserting claims of copyright infringement as to certain designs Fire Sign alleged that it created for Phone1. Phone1 moved to stay the case pending arbitration of Fire Sign's claims, basing its argument for arbitration on the language contained in the agreements between the parties. The court granted Phone1's motion to stay and Fire Sign filed a demand for arbitration with the American Arbitration Association. Phone1 answered the demand to arbitrate, denied the allegations and asserted affirmative defenses. Fire Sign quantified its damages at \$805,995, exclusive of attorneys' fees and costs. Phone1 filed a motion requesting summary disposition of Fire Sign's claims before the final hearing. However, before the arbitrator ruled on Phone1's motion, the parties amicably settled the matter on or about August 11, 2003. Under the settlement agreement, we paid to pay Fire Sign \$100,000 and issued, to the principal of Fire Sign 17,857 restricted shares of our common stock and we recorded a \$125,000 charge in Fiscal Year 2004.

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Globaltron Communications Corporation vs NWT Partners, Ltd. was filed on April 21, 2003, in Miami-Dade County Circuit Court (Case NO. 03-9655 CA 09), seeking a determination that GCC has been constructively evicted from its offices on the 25th floor of 100 N. Biscayne Blvd., Miami, Florida, due to poor ventilation and air quality. GCC also seeks damages for breach of lease and a declaratory judgment that, as a result of the constructive eviction, the lease for such space is terminated. Suit was filed following repeated complaints by GCC of air quality problems and the failure of the landlord to take corrective action. The suit is supported by an independent evaluation performed by GCC's environmental expert, concluding, among other things, that a lack of adequate ventilation in the premises has caused the poor air quality. GCC has withheld payment of rent in accordance with Florida Statute Section 83.201; however, in accordance with a Court order rent is currently being paid into the Court Registry. The landlord has denied GCC's claims and has brought a separate action under the caption NWT Partners, Ltd. v. Globaltron Communications Corporation et al. in Miami-Dade County Court (Case No. 03-7563-CC-01) seeking to evict GCC from the premises and damages for GCC's alleged breach of lease resulting from its failure to pay rent. The landlord is seeking future rent payments over the balance of the lease term. The landlord's case has been transferred to the Court hearing GCC's constructive eviction claim, and the two cases have been consolidated. Discovery requests have been posted by GCC, but have not as yet been responded to. At this stage of the proceedings, no outcome can be determined. Discussions have commenced to resolve this dispute.

Phone1Globalwide, Inc. v. Chalom Arik Meimoun and Next Telecommunication, Inc. a/k/a Next Communication, Inc. was filed on March 15, 2004 in the Eleventh Judicial Circuit in and for Miami-Dade County, Florida. In this action, we filed suit against Meimoun and Next Communication ("Next"), seeking damages for breaches under two loan agreements and related promissory notes and indemnification agreements, fraud in the inducement regarding those same documents and unjust enrichment. Contemporaneous with filing its complaint, we also sought prejudgment writs of garnishment of certain funds held by two different banks for Meimoun and Next. We sought damages in excess of \$1,000,000, which sum is comprised of (1) a refund of loans made to Meimoun and Next; (2) accrued interest, and (3) legal fees and costs. Before Meimoun and Next answered Phone1Globalwide's complaint, the parties amicably settled the matter on or about April 21, 2004 for the receipt of \$960,000 in cash and approximately \$155,000 of telecommunication services which would otherwise be owed by us to Next. As of March 31, 2004 we had a note receivable balance of approximately \$648,000.

Engin Yesil and Guvin Kivilcim v. Chalom Arik Meimoun and Phone1Globalwide, Inc. was filed on March 9, 2004 in the Eleventh Judicial Circuit in and for Miami-Dade County, Florida. Yesil and Kivilcim filed suit against Phone1Globalwide, seeking a declaratory judgment that Phone1Globalwide was somehow aware of certain fraudulent actions taken by Meimoun against Yesil and Kivilcim related to the investment in and purchase of shares of Next Telecommunication, Inc. Phone1Globalwide moved to dismiss the complaint filed by Yesil and Kivilcim, but before that motion was heard by the court, the parties amicably settled the matter on or about April 21, 2004, resulting in a dismissal with prejudice and with us not required to pay any damages or any other amounts to Yesil and Kivilcim.

George G. Levin v. Chalom Arik Meimoun and Phone1Globalwide, Inc. was filed on March 11, 2004 in the Eleventh Judicial Circuit in and for Miami-Dade County, Florida. Although Phone1Globalwide was not an original defendant, Levin amended his complaint to add Phone1Globalwide as a defendant, seeking a declaratory judgment that Phone1Globalwide was somehow aware of certain fraudulent actions taken by Meimoun against Levin related to the investment in and purchase of shares of Next Telecommunication, Inc. Before

Phone1Globalwide was properly served with a copy of the complaint, the parties amicably settled the matter on or about April 21, 2004, resulting in a dismissal with prejudice and with Phone1Globalwide not required to pay any damages or any other amounts to Levin.

APC Development Corp. and H. Weaver Jordan v. Phone1, Inc. relates to an agreement dated April 15, 2002 between Phone1 and APC Development Corp. & H. Weaver Jordan ("third parties") for consulting and engineering services. Under the agreement the third parties were responsible for providing engineering services for network interface testing and system evaluations, prototype design and testing services for products and for the design and translation between LECs and IXC's systems that operate Coin Operated System and Regulated Payphones Systems. The third parties filed a claim against Phone1 on March 18, 2004, claiming that Phone1 breached the payment terms on the consulting and engineering services agreement, which in effect is a claim for non-payment of invoices. Additionally, they claim that because of the lack of payments and monies owed by Phone1, they are no longer responsible to living up to the terms and conditions of the contract; including whether they need to abide by the terms of the agreement as they relate to the technology developed under the consulting and engineering services agreement. On April 19, 2004, Phone1 filed an affirmative defense and a counter-claim against the third parties. Phone1's counter-claim alleges that the third parties breached the consulting and engineering services agreement by not providing services that were paid by Phone1. Currently Phone1 is conducting discovery by requesting production of documents and responding to interrogatories.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On July 4, 2003, two stockholders, owning in the aggregate 55,747,489 shares, or approximately 70%, of our common stock outstanding on that date, executed a written consent in lieu of meeting to (a) elect Louis Giordano, Dario Echeverry, Michael Spritzer and Frederic Z. Haller to our Board of Directors, to serve until the next annual meeting of stockholders or until their successors are duly elected and qualified, and (b) ratify the appointment of Grant Thornton LLP as our independent auditors for each of the years ended March 31, 2003 and March 31, 2004. We did not solicit proxies in connection with this stockholder action inasmuch as the two stockholders own in excess of the number of shares that would have been required to approve the action if a meeting had been held. The written consent in lieu of meeting became effective on or about August 25, 2003.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market information

Our common stock trades on the OTC Bulletin Board (OTCBB) under the symbol PHGW.OB. Prior to September 25, 2001, our common stock traded as GBCP.OB. The following table sets forth, for the period indicated, the high and low sales prices of our common stock. The quotation reflect inter-dealer prices, without retail mark-up, markdown, or commission and may not represent actual transactions.

<u>Period</u>	<u>High</u>	<u>Low</u>
April 1, 2002 - June 30, 2002	\$1.23	\$0.22
July 1, 2002 - September 30, 2002	\$0.50	\$0.11
October 1, 2002 - December 31, 2002	\$1.04	\$0.11
January 1, 2003 - March 31, 2003	\$1.01	\$0.58
April 1, 2003 - June 30, 2003	\$1.80	\$0.55
July 1, 2003 - September 30, 2003	\$1.45	\$0.99
October 1, 2003 - December 31, 2003	\$1.40	\$0.99

Holders

At June 15, 2004, there were approximately 55 holders of record of our common stock. Many of our shares are held in "street name" and we believe the actual number of shareholders is significantly larger.

Dividends

We have never declared dividends on our common stock and have no present intention of declaring or paying dividends in the near future. We intend to retain earnings, if any, to finance our operations.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information relating to our outstanding stock option plans as of March 31, 2004:

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	Number of securities to be Issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation Plan (excluding securities reflected in the first column)
Equity compensation plans approved by security holders	2,909,000	\$1.49	1,091,000
Equity compensation plans not approved by security holders	--	--	--
Total	2,909,000	\$1.49	1,091,000

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

The following discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the Financial Statements included elsewhere in this Report. Historical results are not necessarily indicative of trends in operating results for any future period.

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General

We are a United States based telecommunications company. Our current primary telecommunications offerings are coin sent services from public payphones we do not own and wholesale carrier services. Since the third quarter of Fiscal Year 2004 we also have begun to offer operator assisted calling and collect call services.

The coin sent services over public payphone are conducted by Phone1. The core product of Phone1 consists of direct dialed domestic and international long distance calls to most countries in the world for \$.25 to \$1.00. The duration of a call depends on its destination. The product is designed for use by immigrants and tourists, as a simple way to stay in touch with family and friends and is available from payphones in the United States. Each call is rated according to a preset pricing structure consisting of a number of minutes for the destination dialed by the customer.

We also offer telephone traffic to United States-based local and long distance (domestic and international) companies to termination points outside the United States. This business is conducted through GCC. Our switch facilities are capable of processing long distance calls as arbitrage sales and carrier sales. We currently have two main switch facilities, one located in New York, New York and the other in Miami, Florida. The two locations are interconnected by a backbone with different vendors for redundancy purposes. The switches support different types of signaling to accommodate our customers and vendors.

We have also successfully tested and begun the roll-out of operator assisted calling and collect call services in January 2003. The service is currently in place for payphones at airports in Atlanta, Georgia, Charlotte, North Carolina, Louisville, Kentucky and Greenville, South Carolina. The service can be programmed on various payphone types and we intend to roll out the services throughout the country including 50 airports that we currently provide Phone1 services.

We are entering into strategic alliances with local telecommunication companies (PTTs) in the countries that have a substantial number of immigrants in the United States. We intend to launch in conjunction with different PTTs such as ETB in Colombia and Codetel in the Dominican Republic, telecom products for the specific immigrant groups in the United States.

We generate revenues primarily from our Phone1 services and arbitrage sales. Our revenues are derived as follows:

- Phone1 services. Revenues from Phone1 services represented approximately 49.5% of our revenues for the Fiscal Year 2004. Most of our resources are being devoted to expansion of the Phone1 business and we anticipate continued growth from this revenue source.
- Arbitrage sales. Arbitrage sales represented approximately 47.5% of our revenues for the Fiscal Year 2004
- Operator assisted calling and collect call sales. We commenced the roll-out of the services on January 2003 and revenues represented approximately 2.8% of our total revenues during Fiscal Year 2004.
- Prepaid Calling Cards. During Fiscal Year 2004, we ceased to actively promote the prepaid calling card business. Accordingly, our revenues for the sale of calling cards represented only approximately 0.2% of our total revenues for the Fiscal Year 2004.

Critical accounting policies

Use of estimates and critical accounting policies

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the period. Future events and their effects cannot be determined with absolute certainty; therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to our financial statements. Management continually evaluates its estimates and assumptions, which are based on historical experience and other factors that are believed to be reasonable under the circumstances. These accounting policies are described at relevant sections in this discussion and analysis and in the notes to the financial statements included herein.

Going concern

By reason of factors outlined in the attached report of independent registered public accounting firm, the auditors are of the belief that there is a substantial doubt about our ability to continue as a going concern. Management plans to address those issues as described in Note B of the financial statements. There can be no assurance that management will be able to successfully implement its plans in which event, our business would be adversely affected and we may be required to curtail or cease our operations or planned expansion.

Revenue Recognition

During the years ended March 31, 2004 and 2003, the Company derived revenues from carrier sales, arbitrage sales, Phone1 services and sales of prepaid calling cards.

Carrier sales occur when the Company transports an international long distance call to a foreign destination where the Company maintains a facility. Arbitrage sales occur when the Company transports an international long distance call to a foreign destination where the Company does not maintain a facility. Revenues from Phone1 services consist of direct dialed international and long distance calls made from Phone1-enabled pay telephones. The Company does not own the payphones. The calls are routed through the Company's switching facilities and designated networks. We invoice the payphone owner an amount, based upon the calls made. Revenues from calling cards consist of minutes used.

The Company's revenue is earned from carrier sales, arbitrage sales, Phone1 services and prepaid calling cards when the service is provided. The service is provided as the customer uses the minutes. The revenue is earned based upon the number of minutes used during a call and is recorded upon completion of a call. Revenue for a period is calculated from information received through the Company's network switches.

Accounts receivable

We maintain an allowance for doubtful accounts at a level believed adequate by management to reflect the probable losses in the trade receivable due to customer default, insolvency, or bankruptcy. The provision is established by management using the customer credit history and other relevant factors, and is re-evaluated on a periodic basis. The allowance is increased by provisions to bad debt expense charged against income. All recoveries on trade receivables previously charged off are credited to the accounts receivable recovery account included in income, while direct charge-offs of trade receivables are deducted from the allowance.

Intangible assets and long lived assets

On July 20, 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 142, Goodwill and Intangible Assets. SFAS 142 is effective for fiscal years beginning after December 15, 2001.

Beginning April 1, 2002, we no longer amortize \$1.3 million of intangible assets identified as trade name and trademarks as these assets have been determined to have an indefinite live. We have completed an annual impairment test of all intangible assets with indefinite lives. Based on the annual impairment test, no impairment losses were required to be recorded. We require substantial capital to continue the development of its business. Because there can be no assurance that we will achieve profitable operations, we may, in the future, recognize a substantial impairment of our remaining intangible assets.

We evaluate long-lived assets, including certain identifiable intangible assets held and used for possible impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include, but are not limited to significant under performance relative to projected operating results, significant changes in strategy for our overall business, and significant industry or economic trends.

Income taxes

We account for deferred taxes utilizing the liability method, which applies the enacted statutory rates in effect at the balance sheet date to differences between the book and tax basis of assets and liabilities. The resulting deferred tax liabilities and assets are adjusted to reflect changes in tax laws. A valuation allowance is provided against deferred income tax assets to the extent of the likelihood that the deferred tax asset may not be realized. Utilization of net operating losses will be limited if an ownership change has occurred within the meaning of Internal Revenue Code Section 382.

Other

We make a number of other estimates in the ordinary course of business relating to litigation and other charges. Historically, past charges to these estimates have not had a material impact on our financial condition. However, circumstances could change which may alter further expectations.

Results of operations

Revenues

Revenues increased by 124%, from \$6.3 million in the year ended March 31, 2003 ("Fiscal Year 2003") to \$14.2 million in the Fiscal Year 2004. The increase was primarily the result of a (i) \$6.2 million increase in Phone1 sales which increased as a result of enabling additional payphones and providing domestic and long distance calls through the payphones during Fiscal Year 2004, (ii) \$1.9 million in arbitrage sales attributable to GCC which resulted from the increase in sale of terminating international long distance calls and (iii) a \$346,000 increase in sales of operator assisted calling and collect calls which we began to roll-out during Fiscal Year 2004.

These increases were partially offset by a \$563,000 decrease in sales from Phone1 Smart and prepaid calling cards sales in Fiscal Year 2004, mainly because the Company has ceased to actively promote the operations of Phone1 Smart and the prepaid calling card business.

Cost of Sales

Cost of sales increased by 76%, from \$7.3 million in Fiscal Year 2003 to \$12.8 million in Fiscal Year 2004.

Fixed recurring cost increased by 4%, from \$1,061,000 in Fiscal Year 2003 to \$1,106,000 in Fiscal Year 2004. The increase was primarily due to the charges for the toll-free network services that we utilize for our Phone1 services.

Variable cost increased by 90%, from \$6.2 million in Fiscal Year 2003 to \$11.8 million in Fiscal Year 2004. The increase is primarily attributable to a \$3.5 million increase in service commission costs paid to payphone operators and attributable to the increased traffic volumes associated with revenue growth from Phone1 sales, \$1.7 million increase in arbitrage costs which increased as a result of the growth of arbitrage sales and \$240,000 increase in operator-assisted commissions which increased due to the growth in operator assisted phone calls through payphones.

Selling, general and administrative expenses

Selling, general, and administrative expenses increased by 29% from \$6.7 million in Fiscal Year 2003 to \$8.7 million in Fiscal Year 2004. The increase is primarily due to professional services relating to the promotion and marketing of our Phone1 services. The increase in professional services during Fiscal Year 2004 was due to an increase in the amount of \$891,000 in public relations activities, \$204,000 increase in sales and

consulting services and \$501,000 increase in information technology consulting. In addition, salaries increased by approximately \$509,000 as a result of hiring of additional employees in the information technology and network department

Marketing and promotions expense

Marketing and promotion expense decreased by 16%, from \$2.4 million in Fiscal Year 2003 to \$2.0 million in Fiscal Year 2004. The decrease was due to the result of changes in our marketing philosophy and cost curtailment during Fiscal Year 2004.

Depreciation

Depreciation expense increased by 59%, from \$2.9 million in Fiscal Year 2003 to \$4.5 million in Fiscal Year 2004. The increase is primarily related to the purchase of additional fixed assets that are being used in Phone1.

Amortization

No amortization of intangible assets was recorded for Fiscal Year 2004 since we wrote off the intangible assets acquired in connection with the purchase of Phone1 during the year ended March 31, 2003.

Impairment of intangible assets

During Fiscal Year 2003, we performed a valuation of the intangible assets subject to amortization as of March 31, 2003. This valuation determined there was an impairment loss in the amount of \$11.0 million. The impairment loss existed as the carrying value of the intangible assets subject to amortization exceeded their fair value. An annual impairment test was done as of March 31, 2004 and there was no impairment for the remaining \$1.3 million of intangible assets.

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Settlement of service agreement and claims

Settlement of service agreement increased by 39%, from \$237,000 in Fiscal Year 2003 to \$328,000 in Fiscal Year 2004. This increase is attributable to payment of settlement agreements with certain vendors.

Impairment of long-lived assets

We did not have any impairment of long-lived assets in Fiscal Year 2004. The impairment of \$539,000 in Fiscal Year 2003 occurred as a result of the loss or cessation of operations of fixed assets located overseas and no longer in use.

Net interest expense

Net interest expense decreased by 27%, from \$3.2 million in Fiscal Year 2003 to \$2.4 million in Fiscal Year 2004. The decrease was primarily attributable to a loan discount amortization during March 31, 2003 which resulted from the beneficial conversion feature on our convertible loan from GNB Bank. The loan discount amortization amounted to \$1.2 million in the year ended March 31, 2004 compared to \$1.69 million in the year ended March 31, 2003, a decrease of \$512,000.

Other income

Other income for the Fiscal Year 2003 amounted to \$173,000. We had reserved \$150,000 during Fiscal Year 2002 as a result of a disputed invoice from a vendor. During Fiscal Year 2003, we received a credit for the disputed amount from the vendor. No other income was recorded for Fiscal Year 2004.

Net loss

Net (loss) and diluted earnings (loss) per share changed significantly from \$(36.8) million and \$(.79), respectively, for Fiscal Year 2003 compared to a net loss of \$(16.6) million and \$(.15), respectively, for Fiscal Year 2004. This significant change was primarily due to the impairment of intangible assets of \$11.0 and amortization of intangible assets of \$9.1 recorded in Fiscal Year 2003.

Liquidity and capital resources

Going Concern

By reason of factors outlined in the attached report of independent certified public accountants, the auditors are of the belief that there is a substantial doubt about our ability to continue as a going concern. Management plans to address those issues as described in Note B of the financial statements. There can be no assurance that management will be able to successfully implement its plans in which event, our business would be adversely affected and we may be required to curtail or cease our operations or planned expansion.

The costs associated with the initial setup and upgrades of our facilities located in New York City and Miami, Florida have been incurred and we do not presently anticipate significant capital expenditures for these facilities other than normal and recurring upgrades to provide our Phone1 and other services. As we develop and roll out Phone 1 services in each of our markets, additional capital expenditures, marketing, advertising and net operating costs will be incurred. The amount of these costs will vary, based on the number of payphones served and the actual services provided, but are anticipated to be significant.

We used cash of \$10.1 million in our operations for Fiscal Year 2004 and \$7.7 million for investing activities compared to \$14.1 million and \$2.4 million, respectively in Fiscal Year 2003. During Fiscal Year 2004, we raised \$16.9 from financing activities compared to \$17.5 for Fiscal Year 2003.

We are incurring negative cash flows due, in major part, to the funding requirements for rolling out Phone1 services and marketing, advertising, working capital and network expansion for our Phone1 services. We expect to continue to incur negative cash flow for at least one year. We make no assurance that our networks or any of our other services will ever provide a revenue base adequate to sustain profitability or generate positive cash flow. During the fiscal year ending March 31, 2005, we projected that the amount of capital required for implementation and rollout of our Phone1 business together with our marketing and other services, and to fund negative cash flow, including interest payments will be at least \$26,000,000.

Marketing, advertising, developing, enhancing and rolling out new services, including under our agreements with SBC, Verizon, Qwest and Sprint, and expanding our network will also require substantial capital expenditures. The funding of these expenditures is dependent upon our ability to raise substantial equity and debt financing. We are actively seeking additional funding from a variety of sources, including potential issuances of our securities in one or more private transactions. However, we make no assurances that we will be able to obtain such financing or, if obtained, that it will be on terms profitable to us. We may incur substantial costs in obtaining financing and any equity financing will likely result in significant dilution of existing shareholders.

Indebtedness

Debt with GNB Bank Panama S.A. (Former Related Party)

Since February 2000, we have entered into a series of financings and re-financing with GNB Bank Panama S.A. ("GNB Bank").

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On September 30, 2002, GNB Bank exchanged a \$10 million convertible note, converted the outstanding balance of \$9,231,438 under an overdraft facility which was callable on demand by GNB Bank and provided additional cash to us of \$768,562 (used for working capital purposes) for a new \$20 million convertible note due October 31, 2003 (subject to acceleration in certain conditions).

The principal and interest of the \$20 million loan was convertible, in whole or in part, prior to or after the maturity date (if the loan was not fully paid), as elected by GNB Bank, into shares of our common stock at the rate of \$.40 per share. Our shares of common stock closed at the price of \$.11 per share on September 26, 2002, the last day prior to the date of closing of the \$20 Million Loan on which a trade was reported.

On November 26, 2002, Phone1 entered into a loan agreement with GNB Bank for a loan in the amount of \$5 million on terms substantially identical to the \$20 million loan, except that the maturity of the \$5 million loan was October 31, 2003 (subject to acceleration in certain conditions). Like the \$20 million loan, the \$5 Million Loan was convertible, in whole or in part, prior to or after the maturity date (if the loan was not fully paid), as elected by GNB Bank, into shares of our common stock at a conversion price of \$.40 per share.

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On December 20, 2002, GNB Bank exercised (effective as of the close of business on that date), in part, its option and converted \$10 million principal amount of the \$20 million loan at a price of \$.40 per share. Consequently, we issued 25,000,000 shares of its common stock to GNB Bank. In connection with the conversion, we issued a new \$10 million note to GNB Bank, on the same terms as the converted note, to replace the \$20 million note previously evidencing the \$20 million loan.

On February 17, 2003, GNB Bank extended a loan to Phone1 in the amount of \$5 million on terms substantially identical to the \$20 million loan and the prior \$5 million loan, except that the maturity of this new loan was March 17, 2004 (subject to acceleration in certain conditions). Like the \$20 million loan and the \$5 million loan, this new loan was convertible, in whole or in part, prior to or after the maturity date (if the loan was not fully paid), as elected by GNB Bank, into shares of our common stock at the rate of \$.40 per share.

On September 30, 2003, Hispanic Telecommunications Holding, S.A., a Luxembourg company, ("HTH") purchased from GNB Bank all the outstanding notes issued to it. On the same date, HTH converted the notes, in accordance with their terms, into 50,000,000 shares of our common stock.

On September 30, 2003, HTH subscribed to, and purchased from us 11,061,947 restricted shares of our common stock for \$1.13 per share or \$12,500,000. Such subscription was accepted by us and such shares were issued to HTH as of September 30, 2003. The funds were used to pay in full the principal and interest under an overdraft facility issued by GNB bank and the balance was used as working capital and for the development and roll out of Phone1 services.

Following the above described transactions, GNB Bank no longer owned any of our shares and prior to the transaction described below ceased to be a related party. HTH became our major shareholder. HTH currently owns 99,414,661 shares of our common stock, representing approximately 70% of our outstanding common stock. GNB no longer was a related party to the Company prior to the December 26, 2003 overdraft facility due to GNB sale of the Company stock and officer and director changes at GNB.

On December 26, 2003, we signed an Overdraft Facility ("the Overdraft Facility") with GNB Bank for \$3,000,000 with an interest rate of 12% per annum. The Overdraft Facility expires on December 27, 2004. On March 31, 2004, Phone1, Inc. entered into an agreement with GNB Bank to settle the outstanding overdraft facility in the amount of \$4,546,977. GNB bank released Phone1 and its affiliates from the obligation to pay the outstanding balance of the overdraft facility in consideration for the sum of \$113,602. As a result, we recorded \$4.4 million adjustment to

Preferred stock

A total of 10,000,000 shares of our preferred stock have been designated as "Series A 8% Convertible Preferred Stock" (the "Series A Preferred"). The Series A Preferred is entitled to receive dividends at the rate of 8% per annum only if declared by our Board of Directors. Upon our liquidation or dissolution (including certain deemed liquidations) the holders of the Series A Preferred are entitled to receive an amount equal to the amount paid for such stock plus any accrued but unpaid dividends before any amounts are distributed to the holders of any junior stock (including our common stock). Holders of the Series A Preferred are entitled to one vote per share and, except in certain limited circumstances, vote together with the holders of our common stock. Certain actions may not be undertaken without the separate vote of the holders of at least 70% of the then outstanding Series A Preferred, including without limitation (i) the issuance of any security senior or on parity to the Series A Preferred, (ii) any merger or consolidation or any sale of all or substantially all of our assets, (iii) our entering into material joint venture or similar arrangement, other than in the ordinary course of business, and (iv) making any changes to our stock option plan and any grants thereunder. Shares of the Series A Preferred are convertible into shares of common stock initially on a one for one basis. The conversion rate is subject to adjustment upon the occurrence of certain dilutive stock issuances and in the event of stock splits, reclassifications and the like. As of March 31, 2004 and March 31, 2003, we had accumulated \$0 and \$2.0 million as preferred dividend. However, no dividend has been declared by the board.

On June 12, 2003, GNB Bank converted all of the 7.0 million shares of Series A Preferred Stock owned by it into 10,852,714 shares of common stock at the adjusted conversion price of \$.645 per share. On the same day, Premium Quality Fund converted all of the 2.0 million shares of Series A Preferred Stock owned by it into 3,100,775 shares of common stock at the adjusted conversion price of \$.645 per share.

Currently, there are no holders of Series A Preferred Stock.

Sale of Common Stock

On May 25, 2004, WINSIDE Investments (Panama) S.A. subscribed to, and purchased from the Company 3,571,428 restricted shares of its common stock for \$1.40 per shares or \$5,000,000.

Vendor Arrangements

On April 4, 2002, we terminated a telecommunication service agreement with a vendor pursuant to which the vendor agreed to release us of all claims for the outstanding balance that would have been paid over the life of the agreement of approximately \$3.9 million owed to the vendor and the execution of a new co-location agreement with the vendor. We did not incur any penalties as a result of the early termination. We entered into a new agreement with the vendor for equipment racks to house our equipment. Under the new agreement, we are required to pay for services totaling \$768,000 at a rate of \$19,200 per month, through August 9, 2005.

On June 28, 2002, we reached a settlement agreement with another vendor to terminate all agreements and the vendor released us of all claims for then outstanding balance that would have been paid over the life of the agreement of approximately \$906,000 owed to the vendor. Under the settlement we paid \$150,000 at the signing of the agreement and the vendor retained the deposit of approximately \$46,000. In addition, we agreed to pay \$10,000 a month for 18 months starting on December of 2002. In the event we order new services from the vendor the monthly payments of \$10,000 are to be applied against the new services.

Off balance sheet arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

ITEM 7. FINANCIAL STATEMENTS

The report of Grant Thornton LLP, our independent registered public accounting firm, dated May 27, 2004, and our consolidated financial statements are filed as part of this Form 10-KSB and are set forth on pages F-1 to F-28.

The accompanying financial statements have been prepared assuming that we will continue as a going concern. As discussed in Note B to the financial statements, we have experienced a net loss of \$16.6 million for the Fiscal Year 2004. Additionally, we used cash of \$10.1 in our operations for the Fiscal Year, 2004. These factors raise substantial doubt about our ability to continue as a going concern. Management's plans about these matters are also described in Note B. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Phone1Globalwide Inc. and Subsidiaries

Financial Statements

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REPORT OF INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

We have audited the accompanying consolidated balance sheets of Phone1 Globalwide, Inc. and Subsidiaries ("the Company"), as of March 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the 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 the standards of the Public Company Accounting Oversight Board (United States) . Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Phone1 Globalwide, Inc. and Subsidiaries as of March 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note F to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standard 142, "Goodwill and Other Intangible Assets" on April 1, 2002.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note B to the financial statements, the Company has experienced a net loss of \$16,590,231 for the year ended March 31, 2004. Additionally, the Company's current liabilities exceeded its current assets by \$1,311,532 at March 31, 2004 and the Company used cash of \$10,110,399 in its operations for the year ended March 31, 2004. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans about these matters are also described in Note B. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Grant Thornton, LLP

Miami, Florida

May 27, 2004

Phone1Globalwide Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

	March 31,	
	2004	2003
ASSETS		
Current assets		
Cash	\$ 389,066	\$ 1,205,284

Accounts receivable, less allowance for doubtful accounts of \$293,801 and \$236,253 at March 31, 2004 and 2003, respectively	993,948	863,170
Note receivable	647,839	-
Prepaid expenses and other current assets	577,907	885,093
Total current assets	2,608,760	2,953,547
Property and equipment, net	9,658,638	7,188,972
Deposits and other	1,130,592	1,304,244
Intangible Assets	1,328,559	1,328,559
Total assets	\$ 14,726,549	\$ 12,775,322
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable	\$ 1,428,838	\$ 1,688,167
Convertible loan payable to bank – GNB Bank (net of \$-0- and \$1,181,531 discount in March 2004 and 2003, respectively)	-	18,818,469
Accrued expenses and other current liabilities	2,491,454	1,929,123
Total current liabilities	\$ 3,920,292	\$ 22,435,759
Stockholders' equity		
Series A 8% Convertible Preferred stock, par value of \$.001, 10,000,000 shares authorized; -0- and 9,000,000 issued as of March 31, 2004 and March 31, 2003, respectively	-	9,000
Common stock, par value of \$.001, 200,000,000 shares authorized; 141,206,995 and 66,128,702 shares issued and outstanding as of March 31, 2004 and March 31, 2003, respectively	141,207	66,128
Additional paid-in capital	133,019,846	96,029,000
Accumulated deficit	(122,354,796)	(105,764,565)
Total stockholders' equity (deficit)	10,806,257	(9,660,437)
Total liabilities and stockholders' equity	\$ 14,726,549	\$ 12,775,322

The accompanying notes are an integral part of these statements.

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Phone1Globalwide Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended March 31,

	2004	2003
Net Revenue	\$ 14,150,177	\$ 6,303,193
Expenses		
Cost of sales	12,819,821	7,275,856
General and administrative	8,676,847	6,704,957
Marketing and promotions	2,029,825	2,415,755
Depreciation	4,523,897	2,851,958
Intangible asset amortization	-	9,086,275
Impairment of intangible assets	-	10,959,341
Impairment of long lived assets	-	539,270
Settlement of service agreements and claims	328,133	236,500
Operating loss	\$ (14,228,346)	\$ (33,766,719)
Other income (expense)		
Interest expense, net	(2,361,885)	(3,242,926)
Other income	-	173,450

Loss before provision for income tax	\$ (16,590,231	) \$ (36,836,195)
Income tax benefit	-	-	-
Net Loss	\$ (16,590,231	) \$ (36,836,195)
Basic earnings (loss) per common share	(0.15	) (0.79)
Diluted earnings (loss) per common share	(0.15	) (0.79)
Weighted average shares of common stock outstanding:			
Basic	108,049,911	48,075,551	
Diluted	108,049,911	48,075,551	

The accompanying notes are an integral part of these statements.

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Phone1Globalwide Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

For the Years Ended March 31, 2004 and 2003

	Shares of Preferred Stock	Series A 8% Convertible Preferred Stock	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance at March 31, 2002	9,000,000	\$ 9,000	41,078,702	\$ 41,078	\$ 83,141,611	\$ (68,928,370	) \$ 14,263,319
Issuance of common stock for conversion of debt	-	-	25,000,000	25,000	9,975,000	-	10,000,000
Issuance of common stock to settle service agreement	-	-	50,000	50	6,450	-	6,500
Issuance of common stock options to consultant	-	-	-	-	30,939	-	30,939
Discount on convertible debt	-	-	-	-	2,875,000	-	2,875,000
Net loss	-	-	-	-	-	(36,836,195	) (36,836,195
Balance at March 31, 2003	9,000,000	\$ 9,000	66,128,702	\$ 66,128	\$ 96,029,000	\$ (105,764,565	) \$ (9,660,437
Conversion of preferred stock to common stock	(9,000,000	) (9,000	) 13,953,489	13,954	(4,954)	--
Compensation for professional services received from board member	-	-	-	-	45,000	-	45,000
Issuance of common stock for conversion of debt	-	-	50,000,000	50,000	19,950,000	-	20,000,000
Sale of common stock	-	-	11,061,947	11,062	12,488,938	-	12,500,000
Issuance of common stock for loss on settlement	-	-	17,857	18	24,982	-	25,000
Issuance of common stock to settle service agreement	-	-	45,000	45	53,505	-	53,550
Settlement of loan overdraft Note H	-	-	-	-	4,433,375	-	4,433,375
Net loss	-	-	-	-	-	(16,590,231	) (16,590,231
Balance at March 31, 2004	-	-	141,206,995	\$ 141,207	\$ 133,019,846	\$ (122,354,796) \$ 10,806,257

The accompanying notes are an integral part of this statement.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended March 31,

	2004	2003
Cash flows from operating activities:		
Net loss	\$ (16,590,231	) \$ (36,836,195
Adjustments to reconcile net loss to net cash used in operating activities		
Impairment of intangible assets	-	10,959,341
Compensation for professional services	45,000	-
Compensation related to stock options	-	30,939
Compensation paid in common stock	53,550	-
Impairment of long lived assets	-	539,270
Loss on settlement of service agreement	25,000	236,500
Depreciation and amortization	4,523,897	11,938,234
Provision for bad debts	73,848	265,430
Convertible loan discount amortization	1,181,531	1,693,469
Changes in assets and liabilities:		
Increase in accounts receivable	(204,626	) (908,378
Decrease/(increase) in deposit and other assets	171,444	(517,169
Decrease/(increase) in prepaid expenses and other current assets	307,186	(709,803
Decrease in accounts payable	(259,329	) (104,848
Increase/(decrease) in accrued expenses and other liabilities	562,331	(575,877
(Decrease)/increase in bank overdraft	-	(65,127
Net cash used in operating activities	\$ (10,110,399	) \$ (14,054,214
Cash flows from investing activities:		
Acquisitions of property and equipment	(6,991,355	) (2,397,370
Notes receivable	(647,839) -
Net cash used in investing activities	\$ (7,639,194	) \$ (2,397,370
Cash flows from financing activities:		
Proceeds from loans - GNB Bank	-	30,000,000
Payment on refinanced loans - GNB Bank	-	(10,000,000
Payment on equipment note payable	-	(1,500,000
Proceeds from overdraft facilities - GNB Bank	15,162,948	12,982,748
Payments on overdraft facilities - GNB Bank	(10,729,573	) (14,000,000
Proceeds from line of credit	1,500,000	-
Payments on line of credit	(1,500,000) -
Proceeds from sale of 11,061,947 shares of common stock	12,500,000	-
Net cash provided by financing activities	\$ 16,933,375	\$ 17,482,748
Net (decrease) increase in cash	(816,218	) 1,031,164
Cash at beginning of year	1,205,284	174,120
Cash at end of year	\$ 389,066	\$ 1,205,284

The accompanying notes are an integral part of these statements.

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Phone1Globalwide Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

For the Years Ended March 31,

Supplemental disclosure of cash flow information:

Cash paid during the year for:

Taxes

Interest

2004

2003

\$ -	\$ -
\$ 887,214	\$ 1,577,246

Non-cash investing and financing activity:

For the twelve months ended March 31, 2004, the Company entered into the following non-cash transactions

On March 31, 2004, Phone1, Inc. entered into an agreement with GNB Bank to settle the outstanding overdraft facility in the amount of \$4,546,977. GNB bank released Phone1 and its affiliates from the obligation to pay the outstanding balance of the overdraft facility in consideration for the sum of \$113,602. As a result, the Company recorded a \$4,433,375 adjustment to additional paid in capital to reflect the capital characteristic of this transaction.

On March 8, 2004, the Company issued 45,000 shares of common stock in exchange for professional services.

On September 30, 2003, Hispanic Telecommunication Holding, S.A., a Luxemburg company, ("HTH") purchased from GNB Bank (Panama) S.A. ("GNB") \$20 million of face amount convertible promissory notes issued by the Company on November 26, 2002, December 31, 2002, and February 17, 2003. On the same date, HTH converted the notes, in accordance with their terms, into 50 million shares of common stock of the Company.

As of September 30, 2003, the Company entered into an agreement to settle the lawsuit with Fire Sign. Under the settlement agreement, the Company paid Fire Sign \$100,000 and issued to the principal of Fire Sign, 17,857 restricted shares of common stock of the Company. As a result of this settlement, the Company recorded a \$125,000 charge in the year ended March 31, 2004.

On June 12, 2003, GNB Bank Panama, S.A. converted 7,000,000 shares of the Company's Series A preferred stock into 10,852,714 shares of common stock at the adjusted conversion price of \$.645 per share. On the same day, Premium Quality Fund converted 2,000,000 shares of Series A preferred stock into 3,100,775 shares of common stock at the adjusted conversion price of \$.645 per share. The converted shares represented all of the Company's outstanding preferred stock.

The Company recorded \$45,000 for services provided by a board member. These services were provided without charge.

For the twelve months ended March 31, 2003, the Company entered into the following non-cash transactions:

On December 20, 2002, GNB Bank exercised (effective as of the close of business on that date), in part, its option and converted \$10 million principal amount of the \$20 Million Loan at a price of \$.40 per share. Consequently, the Company issued 25,000,000 shares of its common stock (the "Conversion Shares") to GNB Bank.

On February 17, 2003, GNB Bank exercised an option granted to it under the \$20 Million Dollar Loan and extended a loan to Phone1 in the amount of \$5 million (the "Additional \$5 Million Loan"). The \$20 Million Loan agreement provided that GNB Bank could elect to convert the Additional \$5 Million Loan into common stock of the Company at \$.40 per share. On February 17, 2003, the fair market value of the common stock of the Company was higher then the conversation price, resulting in a beneficial conversion feature and discount of \$2,875,000.

On November 12, 2002, the Company entered into an agreement with a vendor to resolve any claims between the two parties. The Company paid \$50,000 in cash and issued 50,000 shares of common stock which were valued at \$6,500. The value of the shares was the fair value on the date of the transaction.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of Business

We are a United States based telecommunications company. We currently have two main switch facilities, one located in New York, NY and the other in Miami, Florida. Our current primary telecommunications offerings are coin sent services from public payphones and wholesale carrier services. The Company maintains operating agreements that deliver services in many countries throughout the world using third-party networks.

Phone1Globalwide, Inc. formerly known as Globaltron Corporation and as Win-Gate Equity Group, Inc. (the "Company"), was reincorporated as a Delaware corporation on September 25, 2001. The Company was initially organized on May 17, 1996 in Florida, to locate and effect business combinations with existing businesses.

On January 21, 2000, the Company consummated a stock purchase agreement with all of the shareholders of Globaltron Communications Corporation, a Delaware corporation ("Globaltron" or "GCC") whereby the Company acquired 100% of the outstanding GCC shares. As a result, GCC became a wholly owned subsidiary.

On June 13, 2001, the Company acquired all of the outstanding common stock of Phone1, Inc., a Florida corporation ("Phone1"), a telecommunications marketing company, for 12.0 million restricted shares of our common stock. As a result, Phone1 became a wholly owned subsidiary.

On November 16, 2001, in connection with the formation of Phone1 Smart LLC, a limited liability company ("Phone1 Smart"), organized under the Delaware limited liability act, the Company entered into an operating agreement with MTG Interconnection LC ("MTG"), a Florida limited liability company. The Company owns 51% of the interests in Phone1 Smart. The 51% interest in Phone1 Smart is being consolidated into the financial statements of Phone1Globalwide, Inc. Phone1 Smart has not provided any substantial services during the fiscal year end of March 31, 2004 and its results of operations were immaterial compared to our consolidated results of operations.

Basis of Presentation

The consolidated financial statements include the accounts of Phone1Globalwide, Inc. and its wholly owned and majority owned subsidiaries. All significant inter company accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less, when purchased, to be cash equivalents.

Accounts Receivable

Trade accounts receivable are primarily from arbitrage sales and Phone1 services. The Company maintains an allowance for doubtful accounts at a level which management believes is sufficient to cover potential credit losses. The Company maintains an allowance for doubtful accounts at a level believed adequate by management to reflect the probable losses in the trade receivable due to customer default, insolvency, or bankruptcy. The provision is established by management using the customer credit history and other relevant factors, and is re-evaluated on a periodic basis. The allowance is increased by provisions to bad debt expense charged against income. All recoveries on trade receivables previously charged off are credited to the accounts receivable recovery account included in income, while direct charge-offs of trade receivables are deducted from the allowance.

Phone1Globalwide Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Concentration of Market Risk

As of March 31, 2004 and 2003, \$16,849 and \$1,128,780 of cash, respectively, was located in GNB Bank Panama. The Company has not experienced any losses on its cash deposits.

During the fiscal year end March 31, 2004 and 2003, the Company derived 38% and 4.5%, respectively, of its total revenues from one source.

Property and Equipment

Depreciation and amortization are provided for in amounts sufficient to relate the initial cost of depreciable assets to operations over their estimated service lives. Leasehold improvements are amortized over the lives of the respective leases or the service lives of the improvements, whichever is shorter. Leased property under capital leases is amortized over the lives of the respective leases or over the service lives of the assets for those leases that substantially transfer ownership. Other equipment is depreciated from three to five years. The straight-line method of depreciation is followed for substantially all assets for financial reporting purposes. Cost and accumulated depreciation of assets returned or retired are removed from the respective property accounts, and the gain or loss is reflected in the statements of operations.

Intangible Assets and Long Lived Assets

On July 20, 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 142, Goodwill and Intangible Assets. SFAS 142 is effective for fiscal years beginning after December 15, 2001.

Beginning April 1, 2002, the Company no longer amortizes \$1.3 million of intangible assets identified as trade name and trademarks as these assets have been determined to have an indefinite live. The Company has completed an annual impairment test as of April 1, 2004 of all intangible assets with indefinite lives. Based on the annual impairment test, no impairment losses were required to be recorded. The Company requires substantial capital to continue the development of its business. Because there can be no assurance that the Company will achieve profitable operations, the Company may, in the future, recognize a substantial impairment of its remaining intangible assets.

The Company evaluates long-lived assets, including certain identifiable intangible assets held and used for possible impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors the Company considers important which could trigger an impairment review include, but are not limited to significant under performance relative to projected operating results, significant changes in strategy for the Company's overall business, and significant industry or economic trends.

Phone1Globalwide Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Income Taxes

The Company accounts for deferred taxes utilizing the liability method, which applies the enacted statutory rates in effect at the balance sheet

date to differences between the book and tax basis of assets and liabilities. The resulting deferred tax liabilities and assets are adjusted to reflect changes in tax laws. A valuation allowance is provided against deferred income tax assets to the extent of the likelihood that the deferred tax asset may not be realized.

Advertising

The Company expenses advertising costs as incurred. Total advertising expense was approximately \$635,000 and \$1,485,000 for fiscal 2004 and 2003, respectively.

Use of Estimates

The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the period. Future events and their effects cannot be determined with absolute certainty; therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements. Management continually evaluates its estimates and assumptions, which are based on historical experience and other factors that are believed to be reasonable under the circumstances.

Management believes that a higher degree of judgment or complexity may occur in estimating collectibility of accounts receivable, assessing useful lives of assets, valuation allowance on deferred taxes and estimates relating to litigations..

Fair Value of Financial Instruments

The Company estimates that the fair value of its financial instruments approximates the carrying value of its financial instruments at March 31, 2004 and 2003.

Stock Based Compensation

At March 31, 2004, the Company has a stock-based employee compensation plan, (the Plan) which is described more fully in Note N. The Company accounts for this plan under the recognition and measurement principles of APB Opinion No. 25, Accounting for stock issued to Employees, and related interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation (in thousands, except per share data):

	2004	2003
Net loss as reported	\$ (16,590)	\$ (36,836)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	\$ (1,585)	\$ (1,073)
Pro forma net loss	\$ (18,175)	\$ (37,909)
Basic and diluted loss per share - as reported	\$ (0.15)	\$ (0.79)
Basic and diluted loss per share - pro forma	\$ (0.17)	\$ (0.81)

The Company grants stock options for a fixed number of shares to employees, directors and consultants with an exercise price equal to at least 100% of the fair market value of the shares at the date of grant. The Company has adopted the disclosure-only provision of the Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, which permits the Company to account for stock option grants in accordance with APB Opinion No. 25, Accounting for Stock Issued to Employees. Under APB 25, compensation expense is recorded when the exercise price of the Company's employee stock option is less than the market price of the underlying stock at the date of grant.

The above pro forma disclosures may not be representative of the effects on reported net earnings for future years as some of the options vest over several years and the Company may continue to grant options to employees. In addition, the above calculations include provisions for Series A Preferred Stock dividend in the amount of \$0 and \$1,120,000 in March 31, 2004 and 2003, respectively.

Net Loss Per Share

Basic earnings (loss) per common share are based on the weighted average number of common shares outstanding. The total number of such weighted average shares was 108,049,911 and 48,075,551 for the years ended March 31, 2004 and 2003, respectively. Diluted earnings (loss) per common share are based on the assumption that all dilutive potential common shares, preferred shares and dilutive stock options were converted at the beginning of the year. For the years ended March 31, 2004 and 2003, 1,374,000 options and -0- and 50,000,000 shares potentially convertible from the convertible loan payable to bank were not included in common stock equivalents because their inclusion would be antidilutive. The preferred shares are also not included as a common stock equivalent in the year ended March 31, 2003, as their inclusion would be antidilutive. The preferred shares equate to -0- and 13,953,489 of potential convertible shares for the years ending March 31, 2004 and March 31, 2003.

Reclassification

Certain reclassifications have been made to the 2003 amounts to conform to the 2004 presentation.

Revenue Recognition

During the years ended March 31, 2004 and 2003, the Company derived revenues from carrier sales, arbitrage sales, Phone1 services and sales of prepaid calling cards.

Carrier sales occur when the Company transports an international long distance call to a foreign destination where the Company maintains a facility. Arbitrage sales occur when the Company transports an international long distance call to a foreign destination where the Company does not maintain a facility. Revenues from Phone1 services consist of direct dialed international and long distance calls made from Phone1-enabled pay telephones. The Company does not own the payphones. The calls are routed through the Company's switching facilities and designated networks. We invoice the payphone owner an amount, based upon the calls made. Revenues from calling cards consist of minutes used.

The Company's revenue is earned from carrier sales, arbitrage sales, Phone1 services and prepaid calling cards when the service is provided. The service is provided as the customer uses the minutes. The revenue is earned based upon the number of minutes used during a call and is recorded upon completion of a call. Revenue for a period is calculated from information received through the Company's network switches.

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period ending after December 15, 2003. The adoption of FIN 46 to date has not had any impact on our consolidated financial statements.

In April 2003, SFAS No. 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" was issued which amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities under SFAS No. 133. It requires, among other things, that contracts with comparable characteristics be accounted for similarly and clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative and when a derivative contains a financing component that warrants special reporting in the statement of cash flows. SFAS No. 149 is effective generally for contracts entered into and modified after June 30, 2003. Because the Company presently has no derivative instruments, the adoption did not have any effect on its financial statements or disclosures.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation" which was effective for the Company on December 15, 2002. SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair-value method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both the annual and interim financial statements about the Company's method of accounting for stock-based employee compensation and the effects of the method used on reported results. Adoption of SFAS No. 148 did not have a material effect on the results of operations, financial condition or cash flows of the Company.

During May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS No. 150 clarifies the accounting for certain financial instruments with characteristics of both liabilities and equity and requires that those instruments be classified as liabilities in the statement of financial position. Previously, many of those financial instruments were classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have a significant impact on our operating results or financial position.

NOTE B - OPERATIONAL MATTERS

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company experienced a net loss of \$16,590,231 for the year ended March 31, 2004. Additionally, the Company's current liabilities exceeded its current assets by \$1,311,532 at March 31, 2004 and the Company used cash of \$10,110,399 in its operations for the year ended March 31, 2004. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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Phone1Globalwide Inc. and Subsidiaries **Notes to Consolidated Financial Statements**

In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon future profitable operations of the Company, which in turn is dependent upon the Company's ability to meet its financing requirements on a continuing basis, to maintain present financing, and to succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

In response to the matters described in the preceding paragraphs, the Company intends to actively seek additional funding from a variety of sources, including potential issuances of Company's securities in one or more private transactions. Management believes that this additional financing will allow the Company to rigorously pursue its expansion efforts in the coming year and that this expansion will strengthen the Company's cash flow position to provide the Company with the ability to continue in existence. However, the Company is unable to predict

whether it will be able to obtain such financing or if obtained, that it will be on terms advantageous to the Company.

NOTE C - INVESTMENT IN JOINT VENTURE

Brazil

During the fiscal year ended March 31, 2003, the Company wrote off approximately \$204,000 for equipment, originally purchased in connection with the Company's agreement with Schwartz Enterprises, its Joint Venture Partner. Schwartz Enterprises also became a distributor of the Company's prepaid phone cards. Payment terms were extended to Schwartz Enterprises for the phone cards delivered by the Company. As of March 31, 2003, the remaining balance of approximately \$120,000 due and payable from Schwartz Enterprises was written-off.

NOTE D - NOTE RECEIVABLE

On January 12, 2004, the Company signed a non binding letter of intent with Chalom Arik Meimoun (President and Majority Shareholder of Next Communications, Inc. ("Next")) and Next Communications, Inc. to purchase 100 percent of the outstanding shares of Next, in exchange for shares of the Company in the amount to be agreed.

In addition, on January 12, 2004, Mr. Meimoun, issued a promissory note in favor of the Company in the amount of \$700,000 at an annual interest rate of 6 percent due on March 31, 2004. He pledged 70 percent of the outstanding shares of Next as collateral.

On January 29, 2004, Next issued a promissory note in favor of the Company in the amount of \$350,000 at an annual interest rate of 6 percent due on March 31, 2004 guaranteed by Mr. Meimoun. Mr Meimoun increased the collateral for both loan obligations to 100 percent of the outstanding shares of Next as collateral.

On March 15, 2004, the Company filed suit against Meimoun and Next in the Eleventh Judicial Circuit in and for Miami-Dade County, Florida, seeking damages for breaches of two loan agreements and related promissory notes and indemnification agreements, fraud in the inducement regarding those same documents, and unjust enrichment. Before Meimoun and Next answered the Company's complaint, the parties amicably settled the matter on or about April 21, 2004 for the receipt of \$960,000 and approximately \$155,000 for services received by the Company from Next. As of March 31, 2004, the Company had a notes receivable balance of approximately \$648,000.

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Phone1Globalwide Inc. and Subsidiaries Notes to Consolidated Financial Statements

NOTE E - FIXED ASSETS

Property and equipment consisted of the following at March 31:

	Estimated Useful	2004	2003
	Life - Years		
Office equipment and furniture and fixtures	3 - 5	1,142,947	1,060,13
Leasehold improvements	Primary term of Lease	55,384	55,38
Software	3	2,790,101	1,862,65
Telecommunication & satellite equipment	3 - 5	18,189,312	12,125,80
		22,177,744	15,103,971
Less accumulated depreciation		(12,519,106)	(7,914,995)
		\$ 9,658,638	\$ 7,188,972

During the year ended March 31, 2003, the Company recorded an impairment charge for the remaining balance related to certain other assets c

approximately \$335,000 to reduce their cost to an estimate of fair market value. The amount is included in the impairment of long-lived assets in the Consolidated Statements of Operations.

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Phone1Globalwide Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE F - INTANGIBLE ASSETS

On July 20, 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 142, Goodwill and Intangible Assets. SFAS 142 is effective for fiscal years beginning after December 15, 2001.

Beginning April 1, 2002, the Company no longer amortizes \$1.3 million of intangible assets identified as trade name and trademarks as these assets have been determined to have an indefinite life. The Company has completed an annual impairment test as of April 1, 2004 of all intangible assets with indefinite lives. Based on the annual impairment test, no impairment losses were required to be recorded.

The Company requires substantial additional capital to continue the development of its business. Because there can be no assurance that the Company will achieve profitable operations, the Company may, in the future, recognize a substantial impairment of its remaining intangible assets.

In accordance with the requirements of Statement of Financial Accounting Standard (SFAS) No 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the Company performed a financial analysis of the intangible assets subject to amortization as of March 31, 2003. This analysis determined there was an impairment loss in the amount of \$10,959,000. The impairment loss existed as the carrying value of the intangible assets subject to amortization exceed its fair value. The fair value was determined using estimates of future cash flows directly associated with and expected to arise as a direct results of the use and eventual disposition of the intangible assets subject to amortization. The estimates of future cash flows incorporated the Company's own assumptions about the use of the asset and considered all available evidence. As the intangible assets subject to amortization were determined to have a remaining useful life through June 30, 2004, the estimates of future cash flows used to test the recoverability were made through June 30, 2004. The estimates of future cash flows used to test the recoverability through June 30, 2004 indicated the intangible assets subject to amortization were impaired and an impaired loss in the amount of \$10,959,000 was recorded in March 31, 2003. The Company determined, based on future projections, that the reseller agreements, which comprise the significant amount of the intangible assets subject to amortization, were not going to produce positive cash flow through June 30, 2004 due to the delays in rolling out the Phone 1 services to the payphones associated with the reseller agreements and the additional selling, marketing and early stage operational costs for payphones associated with the those reseller agreements. In preparing this analysis in accordance with SFAS 144, the Company included only those reseller agreements that were in place or in process at the Phone 1 acquisition date. The customer agreements that were not in place or in process at the acquisition were not included as part of the analysis to determine impairment.

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Phone1Globalwide Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE G - ACCRUED LIABILITIES AND OTHER CURRENT LIABILITIES

Consolidated accrued expenses and other current liabilities of the Company consisted the following:

March 31,
2004 2003

Accrued payroll	224,530	198,271
Interest payable	230,510	8,341
Trade payables	170,335	167,127
Accrued professional service	275,743	142,591
Accrued sale tax and other taxes	470,408	568,020
Accrued contingencies	987,601	746,225
Other accrued liabilities	132,327	98,548
	2,491,454	1,929,123

NOTE H - LOANS PAYABLE

GNB BANK LOANS (FORMER RELATED PARTY)

Since February 2000, the Company has entered into a series of financings and re-financing with GNB Bank Panama S.A. ("GNB Bank").

In June 2001, the Company entered into two loans with GNB Bank in the principal amount of \$1.25 million and \$1.2 million, respectively, plus interest at Citibank N.A.'s prime plus 2% (6.25% as of March 31, 2003). Payments of the outstanding obligations were due on July 8, 2001. Additionally, GNB Bank loaned Phone1 an aggregate of \$3,050,000 for working capital, which obligations were assumed by the Company due to its acquisition of Phone1.

The loans to Phone1 were due on July 6, 2001 (as to \$2.75 million) and on July 8, 2001 (as to \$300,000). On June 29, 2001, the Company refinanced these outstanding obligations.

On July 31, 2001 Phone1, entered into a loan with GNB Bank in the principal amount of \$2.0 million, plus interest at Citibank N.A.'s base rate plus 2% (6.25% as of March 31, 2003). Payment of the outstanding obligations was due on September 17, 2001. The proceeds from the loan were used for working capital. On September 28, 2001, the Company refinanced the \$2.0 million loan, plus the accrued interest.

On October 31, 2001, Phone1 entered into a loan agreement with GNB Bank in the principal amount of \$10.0 million (the "\$10 Million Loan") plus interest at the rate of 10% per annum. The \$10 Million Loan was evidenced by an unsecured convertible promissory note (the "\$10 Million Note") that was due October 30, 2002. The \$10 Million Loan was guaranteed by the Company.

The principal and interest of the \$10 Million Note was convertible, in whole or in part, either prior to or after the maturity date (if the loan and the note are not fully paid), as elected by GNB Bank into shares of Phone1 (representing between 7.5% to 12.5% on a fully-diluted basis, of the total issued and outstanding stock of Phone1) or shares of the Company at the rate of \$1.50 per share.

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Phone1Globalwide Inc. and Subsidiaries Notes to Consolidated Financial Statements

On March 27, 2002, the Company signed an Overdraft Facility (the "Overdraft Facility") with GNB Bank for \$2,000,000 with an interest rate of 12% per annum. The Overdraft Facility expired on March 27, 2003 and it was callable by GNB Bank. However, the facility was extended and on April 29, 2002, the Company increased its Overdraft Facility up to an aggregate amount of \$3,200,000. On May 30, 2002, the Company obtained an additional \$380,000, increasing the Overdraft Facility to an aggregate amount of \$3,580,000. Effective on June 20, 2002, the aggregate principal outstanding amount under the Overdraft Facility was increased to \$4,580,000. On July 8, 2002, the Company increased the Overdraft Facility up to an aggregate amount of \$6,000,000. Effective on July 16, 2002, the aggregate principal outstanding amount under this Overdraft Facility was increased to \$9,000,000. The \$9,231,438 outstanding balance of the Overdraft Facility, including accrued interest, was converted into a new note on September 30, 2002, as described below.

On September 30, 2002, GNB Bank exchanged the \$10 Million Note, converted the balance outstanding of \$9,231,438 under the Overdraft Facility which was callable on demand by GNB Bank and provided additional cash to Phone1 of \$768,562 (used for working capital purposes)

for a new \$20 million convertible note (the "\$20 Million Loan") due October 31, 2003 (subject to acceleration in certain conditions). The \$20 Million Loan was secured by a lien on all of the assets of Phone1, the Company and the Company's other primary subsidiary, GCC, and was guaranteed by the Company and GCC. The \$20 Million Loan contained representations and covenants by Phone1 and the Company that are usual and customary for a loan of this type, the inaccuracy or violation of which could lead to a default and acceleration of the Loan. The \$20 Million Loan bore interest at the prime rate plus 2% (6.25% as of March 31, 2003).

The principal and interest of the \$20 Million Loan was convertible, in whole or in part, prior to or after the maturity date (if the loan was not fully paid), as elected by GNB Bank, into shares of the common stock of the Company at the rate of \$.40 per share. The Company's shares of common stock closed at the price of \$.11 per share on September 26, 2002, the last day prior to the date of closing of the \$20 Million Loan on which a trade was reported. The conversion rate was subject to certain anti-dilution adjustments, including downward adjustment to the amount of any issuance of securities of the Company at a price less than \$.40 per share. In addition, the loan agreement relating to the \$20 Million Loan included an option for GNB Bank to loan an additional \$5 million on the same terms, including as to conversion into Common Stock (the "Optional \$5 Million Loan") as the \$20 Million Loan. The Optional \$5 Million Loan was exercised by GNB Bank on February 17, 2003, as described below.

On November 26, 2002, Phone1 entered into a Loan Agreement with GNB Bank for a loan in the amount of \$5 million (the "\$5 Million Loan"). The \$5 Million Loan was on terms substantially identical to the \$20 Million Loan, except that the maturity of the \$5 Million Loan was October 31, 2003 (subject to acceleration in certain conditions). Like the \$20 Million Loan, the \$5 Million Loan was secured by a lien on all of the assets of Phone1, the Company and Globaltron, and was guaranteed by the Company and Globaltron. The \$5 Million Loan borne interest at the prime rate plus 2% (6.25% as of March 31, 2003). Principal and interest of the \$5 Million Loan was convertible, in whole or in part, prior to or after the maturity date (if the loan was not fully paid), as elected by GNB Bank, into shares of the common stock of the Company at a conversion price of \$.40 per share. The closing price for shares of the Company's common stock on the date of the \$5 Million Loan was \$.40 per share. The conversion price was subject to certain anti-dilution adjustments, including downward adjustment to the amount of any issuance of securities of the Company at a price less than \$.40 per share. The \$5 Million Loan was in addition to the Optional \$5 Million Loan.

On December 20, 2002, GNB Bank exercised (effective as of the close of business on that date), in part, its option and converted \$10 million principal amount of the \$20 Million Loan at a price of \$.40 per share. Consequently, the Company issued 25,000,000 shares of its common stock to GNB Bank. In connection with the conversion, the Company issued a new \$10 million note (the "New \$10 Million Note") to GNB Bank, on the same terms as the converted note, to replace the \$20 million note previously evidencing the \$20 Million Loan.

On February 17, 2003, GNB Bank exercised the Optional \$5 Million Loan and extended a loan to Phone1 in the amount of \$5 million (the "Additional \$5 Million Loan"). The Additional \$5 Million Loan was on terms substantially identical to the \$20 Million Loan and the \$5 Million Loan, except that the maturity of the Additional \$5 Million Loan was March 17, 2004 (subject to acceleration in certain conditions, including in the event that neither the Company, Phone1 nor GCC obtains a \$5 million loan from a third party for a period of 12 months on or prior to September 30, 2003). Like the \$20 Million Loan and the \$5 Million Loan, the Additional \$5 Million Loan was secured by a lien on all of the assets of Phone1, the Company and GCC and was guaranteed by the Company and GCC. The Additional \$5 Million Loan borne interest at the prime rate plus 2% (6.25% as of March 31, 2003). Like the \$20 Million Loan and the \$5 Million Loan, the principal and interest of the Additional \$5 Million Loan was convertible, in whole or in part, prior to or after the maturity date (if the loan was not fully paid), as elected by GNB Bank, into shares of the common stock of the Company at the rate of \$.40 per share. The conversion rate was subject to certain anti-dilution adjustments, including downward adjustment to the amount of any issuance of securities of the Company at a price less than \$.40 per share. On February 17, 2003, the fair market value of the Common Stock of the Company was higher than the conversion price, resulting in a beneficial conversion feature and a discount of \$2,875,000. For the year ended March 31, 2003, the Company recorded \$1,693,439 as an interest expense, and the remaining balance of \$1,181,531 has been recorded as an interest expense during the year ended March 31, 2004.

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Phone1Globalwide Inc. and Subsidiaries
Notes to Consolidated Financial Statements

The Company has agreed to cause the registration of the shares of common stock issued upon conversion of the New \$10 Million Note, the \$5 Million Loan and the Additional \$5 Million Loan (collectively, the "Notes") under applicable securities laws so as to facilitate any potential resale by GNB Bank of such common stock. GNB Bank has extended the time by which the Company is required to file such registration statement until November 30, 2003.

On September 30, 2003, Hispanic Telecommunications Holding, S.A., a Luxembourg company, ("HTH") purchased from GNB Bank the Notes. On the same date, HTH converted the notes, in accordance with their terms, into 50,000,000 million shares of common stock of the

Company.

On September 30, 2003, HTH subscribed to, and purchased from the Company 11,061,947 restricted shares of its common stock for \$1.13 per share or \$12,500,000. Such subscription was accepted by the Company and such shares were issued to HTH as of September 30, 2003. The funds were used to pay in full the principal and interest under an overdraft facility issued by GNB bank and the balance was used as working capital of the Company and for the development and roll out of Phone1 services.

Following the above described transactions, GNB Bank no longer owned any shares of the Company. HTH became the major shareholder of the Company. HTH currently owns 99,414,661 shares of the common stock of the Company, representing approximately 70% of the Company's outstanding common stock. Prior to the transaction described below GNB Bank ceased to be a related party.

On December 26, 2003, the Company signed an Overdraft Facility ("the Overdraft Facility") with GNB Bank for \$3,000,000 with an interest rate of 12% per annum. The Overdraft Facility originally would have expired on December 27, 2004. On March 31, 2004, Phone1, Inc. entered into an agreement with GNB Bank to settle the outstanding overdraft facility in the amount of \$4,546,977. GNB bank released Phone1 and its affiliates from the obligation to pay the outstanding balance of the overdraft facility in consideration for the sum of \$113,602. As a result, the Company recorded a \$4,433,375 adjustment to additional paid in capital to reflect the capital characteristic of this transaction due to the previous relationship with GNB Bank.

NOTE I – LOANS FROM FINANCIAL INSTITUTIONS

On March 29, 2002, the Company entered into a loan agreement with a financial institution in the principal amount of \$1 million. The loan was funded April 1, 2002. The interest rate charged on the loan agreement was based on the prime rate (4.25% as of March 31, 2003) plus 1%. The loan was evidenced by a promissory note. The loan was payable on demand and it was paid through refinancing on April 29, 2002.

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Phone1Globalwide Inc. and Subsidiaries Notes to Consolidated Financial Statements

A director of the Company is also a director of the financial institution.

On April 29, 2002, the Company entered into a loan agreement with a financial institution in the principal amount of \$1 million. The interest rate charged on the borrowings under the loan agreement was the prime rate plus 1%. The loan was payable on demand and the outstanding balance under the loan agreement was refinanced on May 31, 2002.

On May 30, 2002, the Company signed a new loan agreement with a financial institution in the principal amount of \$1 million. Interest rate charged on the borrowing under the loan agreement is 5.75%. The loan was refinanced on August 20, 2002.

On October 9, 2002, Phone1 borrowed \$1.5 million from a financial institution. The loan bears interest at the rate of 5.75% per annum and is payable on demand. The loan proceeds are being used for general working capital purposes. As of March 31, 2003, the loan had a zero balance. Subsequent to March 31, 2003, the Company borrowed \$1.5 million under the loan agreement.

On March 31, 2004 there were no loans outstanding.

NOTE J - INCOME TAXES

The Company has no current income tax expense because of a tax net operating loss for the years ending March 31, 2004 and 2003. The Company has not recorded a deferred tax expense because of a valuation allowance, which completely provides for the deferred tax assets. The

valuation allowance is recorded to reduce the total deferred tax assets to an amount that will more likely than not be realized.

The following table summarizes the differences between the Company's effective tax rate and the statutory federal rate as follows:

	2004	2003	
Standard federal rate	(34.0)	%(34.0)	%
Increase (decrease) in tax resulting from:			
Nondeductible items	12.4	%16.8	%
State taxes, net of federal tax benefit	(6.0)	%(3.0)	%
Valuation allowance	27.6	%20.2	%
Effective Tax Rate	—	%—	%

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Phone1Globalwide Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Deferred tax assets are comprised of the following at March 31:

	2004	2003
Deferred tax assets:		
Write-down of investments	\$ 140,000	\$ 129,500
Reserve on deposits	20,000	112,046
Stock compensation	94,726	255,102
Allowance for doubtful accounts	117,520	87,414
Other accruals and reserves	243,982	33,278
Net operating loss carry forwards	22,731,848	15,498,132
Total deferred tax assets	23,348,076	16,115,472
Less valuation allowance	(22,882,267)	(15,959,185)
Net deferred tax asset	\$ 465,809	\$ 156,287
Deferred tax liabilities:		
Depreciation	465,809	156,287
Total deferred tax liabilities	\$ 465,809	\$ 156,287
Deferred tax assets, net	\$ —	\$ —

During the year ended March 31, 2004, the Company's valuation allowance increased by \$6,923,082

At March 31, 2004, the Company had net operating loss carry forwards for federal tax purposes of approximately \$57,206,000 that will begin to expire in 2021. Utilization of net operating losses will be limited if an ownership change has occurred within the meaning of Internal Revenue Code Section 382.

NOTE K - LEASE COMMITMENTS

Future minimum payments, by year and in the aggregate, under an operating lease for office space and an equipment lease with a remaining term in excess of one year as of March 31, 2004, is as follows:

Year	
2005	\$ 609,861
2006	567,421
2007	410,391
2008	426,794
2009	443,867
Thereafter	264,897
Total minimum lease payments	\$ 2,723,231

Rent expense was \$700,926 and \$749,894 for the years ended March 31, 2004 and 2003, respectively.

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Phone1Globalwide Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE L – SETTLEMENT OF SERVICE AGREEMENTS AND CLAIMS

On June 28, 2001, Phone1 entered into a billing software license agreement with a vendor. Under the agreement, the vendor granted Phone1 a non-exclusive, non-transferable license to use its software. The licensing and maintenance fees under the license agreement were to be paid at a rate of \$21,000 per month for a period of 36 months. The fees to be paid by Phone1 under the license agreement were also subject to escalation if Phone1 reached certain revenue milestones (which milestones were not met prior to the termination of the agreement). Phone1 is not currently using the billing software due to certain disputes. The vendor filed a claim on April 1, 2002 against Phone1 for approximately \$700,000 for a breach of a software license agreement. Phone1 has filed a counterclaim against the vendor seeking damages for the breach of software license agreement, breach of express warranty, breach of an implied warranty of fitness for a particular purpose, money had and received and unjust enrichment. Phone1 is seeking damages in excess of \$1,000,000. The vendor has amended its complaint to add Globaltron Communications Corporation as a defendant, and to add additional claims against Phone1. Phone1 and GCC answered the amended complaint, denied the allegations and asserted affirmative defenses. Phone1 and GCC recently amended their counterclaims to add claims (a) to reform the license agreement to conform to the parties' understanding regarding GCC's use of the software and (b) for declaratory judgment regarding the same issue. The vendor answered the amended complaint, denied the allegations and asserted affirmative defenses.

Effective August 5, 2003, the Company entered into an agreement to settle the lawsuit with the vendor. Under the settlement agreement, the Company agreed to pay the vendor \$365,000, of which, \$250,000 was paid on August 19, 2003, \$57,500 was paid on October 27, 2003 and the balance of \$57,500 was paid on February 3, 2004, together with interest at the rate of 10% per annum commencing on August 5, 2003. As a result of this settlement, the Company recorded a \$143,000 charge in the year ended March 31, 2004.

Spitfire Merchants, Ltd. v. Globaltron Corporation f/k/a Win-Gate Equity Group, Inc. n/k/a Phone1 Globalwide Inc. was filed on June 5, 2001 in the Eleventh Judicial Circuit Court in and for Miami-Dade County, Florida. The lawsuit seeks damages for alleged breach of contract in connection with the purchase of shares in the Company. Spitfire alleges that it was not given the correct amount of shares and that some of the shares it received were restricted, allegedly in violation of Spitfire's subscription agreement with the Company. Spitfire has sought damages in excess of \$1,000,000, which is disputed by the Company. In its answer, the Company asserted the affirmative defenses of failure to mitigate damages and failure of consideration. . The case was settled, resulting in a voluntary dismissal filed on March 25, 2004. Under the settlement agreement, the Company agreed to pay Spitfire \$60,000. As a result of the settlement the Company recorded a \$60,000 charge in the year ended March 31, 2004.

Eric Frizza filed suit against Phone1, Inc., Dario Echeverry, et al. on March 14, 2002, in the Eleventh Judicial Circuit in and for Miami-Dade

County, Florida seeking declaratory relief and damages for breach of contract in connection with his alleged 1.5% equity interest in Phone1. Both Phone1 and Echeverry filed answers denying that Frizza was entitled to any relief, other than payment he has already been paid for various services he performed for Phone1. Initial requests for production propounded to Echeverry have been answered. Thereafter, an order was entered requiring Frizza to show because why the case should not be dismissed for failure to prosecute the claims. On May 16, 2003, this action was dismissed.

In July 2002, Fire Sign, Inc. sought an injunction in the Southern District of Florida against Phone1, Inc., asserting claims of copyright infringement as to certain designs Fire Sign alleged that it created for Phone1. Phone1 moved to stay the case pending arbitration of Fire Sign's claims, basing its argument for arbitration on the language contained in the agreements between the parties. The court granted Phone1's motion to stay and Fire Sign filed a demand for arbitration with the American Arbitration Association. Phone1 answered the demand to arbitrate, denied the allegations and asserted affirmative defenses. Fire Sign quantified its damages at \$805,995, exclusive of attorneys' fees and costs. As of September 30, 2003, the Company entered into an agreement to settle the lawsuit with Fire Sign. Under the settlement agreement, the Company agreed to pay Fire Sign \$100,000 and issue, to the principal of Fire Sign 17,857 restricted shares of common stock of the Company. As a result of this settlement, the Company recorded a \$125,000 charge in year ended March 31, 2004.

On December 9, 2003, the Company settled with the law offices of Richard L Ruben, Esq ('Ruben'), for legal services provided to the Company in an agreement dated July 20, 2000. Whereas, the Company and Ruben agreed to resolve any claims arising directly or indirectly in consideration for \$15,000. The amount was paid as of March 31, 2004 and is recorded in general and administrative expenses in the consolidated financial statements of the year ended March 31, 2004. In addition, the Company issued 45,000 shares of the Company's common stock for legal services to defend the Company against a lawsuit filed by Spitfire Merchants, Ltd. The lawsuit was settled on March 8, 2004 and the shares were issued at the market price on that date and is included in the general and administrative expenses for the year ended March 31, 2004.

Phone1Globalwide, Inc. v. Chalom Arik Meimoun and Next Telecommunication, Inc. a/k/a Next Communication, Inc.: On March 15, 2004, the Company filed suit against Meimoun and Next in the Eleventh Judicial Circuit in and for Miami-Dade County, Florida, seeking damages for breaches of two loan agreements and related promissory notes and indemnification agreements, fraud in the inducement regarding those same documents, and unjust enrichment. Contemporaneous with filing its complaint, the Company also sought prejudgment writs of garnishment of certain funds held by two different banks for Meimoun and Next. The Company sought damages in excess of \$1,000,000, which sum is comprised of (1) a refund of loans made to Meimoun and Next; (2) accrued interest, and (3) legal fees and costs. Before Meimoun and Next answered the Company's complaint, the parties amicably settled the matter on or about April 21, 2004 for the receipt of \$960,000 and approximately \$155,000 for services received by the Company from Next. As of March 31, 2004, the Company had a notes receivable balance of approximately \$648,000. (Note P)

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Phone1Globalwide Inc. and Subsidiaries Notes to Consolidated Financial Statements

NOTE M - COMMITMENTS AND CONTINGENCIES

On November 21, 2000, the Company terminated certain agreements with a telecommunication company. As consideration for the termination, the Company paid \$50,000 in cash and transferred 400,000 shares of its common stock to the telecommunications company. The Company agreed to issue an additional 50,000 shares of its common stock if the price of the Company's common stock does not have an average closing price of \$7.00 per share or more for 20 consecutive trading days through November 20, 2001. The cost for settlement of service agreement amounted to \$1,350,000. The shares were valued at their fair market value on of the date of the agreement. The Company did not issue the 50,000 shares of its common stock due to a dispute between the parties. During the Fiscal Year 2004, we reached a settlement with the vendor. Under the agreement we removed the restriction on 400,000 shares issued to the vendor under the settlement agreement dated November 21, 2000. As consideration, the vendor transferred certain used equipment to us and released us from any obligations.

On April 4, 2002, the Company terminated a telecommunications service agreement with a vendor, pursuant to which the vendor agreed to release the Company of all claims for the outstanding balance owed to the vendor and the execution of a new co-location agreement with the vendor. The Company did not incur any penalties as a result of the early termination. The Company entered into a new agreement with the vendor for equipment racks to house the Company's equipment. Under the new agreement, the Company is required to pay for services totaling \$768,000 at a rate of \$19,200 per month, through August 9, 2005.

On June 28, 2002 the Company reached an agreement with a vendor to terminate all agreements and release the Company of all claims for the

outstanding balance owed to the vendor. Under the settlement the Company paid \$150,000 at the signing of the agreement and the vendor retained the deposit of approximately \$46,000. In addition, the Company paid \$10,000 a month for 18 months commencing in December of 2002. The Company made its last payment in the month of May 2004.

On October 15, 2002, Phone1 entered into an agreement with Via One Technologies, Inc. ("Via One"), an unaffiliated New York-based marketer and distributor of prepaid phone cards and telephone calling cards. Under the agreement, the parties intend to jointly develop a Phone1-branded international calling card service. During the five year term of the agreement, Via One is appointed as Phone1's worldwide, exclusive (if it meets specified minimum quarterly gross sales during 2003) distributor of the Phone1 calling card service. Following payment of costs of sales, gross margins will be distributed to the parties on a 50/50 basis. Following termination of the agreement for any reason, Via One will continue to receive a residual fee equal to 2% on the face value of all Phone1 calling card revenues. The parties agreed to pay 1-1/2% of gross margins to an unaffiliated third party who assisted in developing and structuring the relationship between Phone1 and Via One. On February 20, 2003, the agreement was terminated by mutual consent of the parties and the parties agreed to enter into negotiations for a new relationship between them. To date, no further understandings have been reached.

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Phone1 Globalwide Inc. and Subsidiaries Notes to Consolidated Financial Statements

In November 2002, Phone1 entered into a settlement agreement with a party to a service agreement with the Company, and certain of his affiliated companies. As consideration for the exchange of mutual general releases, \$50,000 was paid to the party and the Company issued 50,000 shares of unregistered common stock to him. The shares were valued at their fair market value as of the date of the settlement agreement.

During the year ended March 31, 2003, the Company executed employment agreements with Dario Echeverry as Chief Executive Officer, Syed Naqvi as Chief Financial Officer, Dilowe Barker as Chief Operating Officer and Federico Fuentes as Chief Technical Officer. The expiration dates of the agreements are March 31, 2005 as to Messrs. Echeverry and Naqvi, December 31, 2005 as to Mr. Barker and December 31, 2004 as to Mr. Fuentes. The agreement with Mr. Echeverry provides for an annual base salary of \$250,000, while the agreements with Messrs. Naqvi, Barker and Fuentes provide for annual base salaries of \$220,000 each. The employment agreements also provide that in the event of the Company's material breach or termination of the executive's employment during the term of the agreement, without cause, in the event of a change of control (as defined in the agreements) or by the executive, with good cause (as defined in the agreements), the executive shall be entitled to receive as severance pay a lump sum of up to two year's salary. The executives are entitled to bonuses, to the extent determined by the Board of Directors, and to participate in the Company's stock option and other compensatory and benefit plans established for the benefit of employees. The executives have also assigned to the Company all of their rights to inventions created by them during the course of their employment, and the agreements contain one-year restrictive covenants following termination of the agreement, restricting them from competing against the Company or soliciting our employees.

On April 21, 2003, GCC filed suit in Miami-Dade County Circuit Court (Case No. 03-9655 CA 09) against NWT Partners, Ltd., seeking a determination that GCC has been constructively evicted from its offices on the 25th floor of 100 N. Biscayne Blvd., Miami, Florida, as a result of environmental issues and unacceptable air quality. GCC also seeks damages for breach of lease and a declaratory judgment that, as a result of the constructive eviction, the lease for such space is terminated. Suit was filed following repeated complaints by GCC of air quality problems and the failure of the landlord to take corrective action. The suit is supported by an independent evaluation performed by GCC's environmental experts, concluding, among other things, that a lack of adequate ventilation in the premises has caused the poor air quality. GCC has withheld payment of rent in accordance with Florida Statute Section 83.201, however rent has been paid into the court pursuant to an order of the judge. The landlord has denied GCC's claims and has brought a separate action in Miami-Dade County Court (Case No. 03-7563-CC-01) seeking to evict GCC from the premises and damages for GCC's alleged breach of lease resulting from its failure to pay rent. The landlord is also seeking future rent payments over the balance of the lease term. The landlord's case has been transferred to the court hearing GCC's constructive eviction claim, and the two cases have now been consolidated. Discovery requests have been posted by GCC, but have not as yet been responded to. At this stage of the proceedings, no outcome can be determined. Discussions have commenced to resolve this dispute.

Captivad Media Corp. v. Motion Display Systems, Inc. and Phone1, Inc. was filed in the Fifteenth Judicial Circuit in and for Palm Beach County, Florida. In that complaint, Captivad sought damages for breach of contract regarding advertising done in the Sawgrass Mills Mall. There was an indemnification agreement between Motion Display Systems and Phone1, whereby Motion Display Systems agreed to defend Phone1 in this action and indemnify Phone1 against any judgments for Captivad or any other settlements. Motion Display Systems has affirmed its obligations under that agreement, agreeing to defend and indemnify Phone1.

During the quarter ended September 30, 2003 the Company recorded a \$1,269,000 liability for estimated withholding taxes and interest owed to the Internal Revenue Services related to interest payments made by the Company to GNB Bank. The interest payments were made by the Company to GNB Bank between March 2000 and September 30, 2003. The withholding taxes are payable to the IRS at the rate of 30%. In connection with the matter, GNB voluntarily agreed to pay the Company for the withholding taxes. On March 30, 2004, the Company received \$1,093,604 from GNB Bank for the withholding taxes. The Company's filed the necessary tax forms with the IRS and paid the withholding liability in full on March 31, 2004.

On April 15, 2002 Phone1, Inc. entered into an agreement with APC Development Corp. & H. Weaver Jordan ("third parties") for consulting and engineering services. Under the agreement they were responsible for providing engineering services for network interface testing and system evaluations, prototype design and testing services for products and for the design and translation between LECs and IXC's systems that operate Coin Operated System and Regulated Payphones Systems. The third parties filed a claim against Phone1 on March 18, 2004, claiming that Phone1 breached the payment terms on the consulting and engineering services agreement, which in effect is a claim for non-payment of invoices. Additionally, they claim that because of the lack of payments and monies owed by Phone1, they are no longer responsible to living up to the terms and conditions of the contract; including whether they need to abide by the terms of the agreement as they relate to the technology developed under the consulting and engineering services agreement. On April 19, 2004, Phone1 filed an affirmative defense and a counter-claim against the third parties. Phone1's counter-claim alleges that the third parties breached the consulting and engineering services agreement by not providing services that were paid by Phone1. Additionally, the third parties failed to deliver to Phone1 any schematics, drawings, equipment that was developed and/or prototype equipment that was developed as outlined in the consulting agreement. Currently Phone1 is conducting discovery by requesting production of documents and responding to interrogatories.

The Company is involved in various lawsuits, either as plaintiff or defendant, and is the subject of various claims, in the ordinary course of business. In the opinion of management, the outcome of these lawsuits and claims will not have a material impact on the Company's consolidated financial statements. The Company expenses legal costs relating to these lawsuits as the costs are incurred.

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Phone1Globalwide Inc. and Subsidiaries **Notes to Consolidated Financial Statements**

NOTE N - EQUITY TRANSACTIONS

Preferred Stock

A total of 10,000,000 shares of the Company's Preferred Stock have been designated as "Series A 8% Convertible Preferred Stock" (the "Series A Preferred"). The Series A Preferred is entitled to receive dividends at the rate of 8% per annum only if declared by the Board of Directors. Upon any liquidation or dissolution of the Company (including certain deemed liquidations) the holders of the Series A Preferred are entitled to receive an amount equal to the amount paid for such stock plus any accrued but unpaid dividends before any amounts are distributed to the holders of any junior stock (including the Company's common stock). Holders of the Series A Preferred are entitled to one vote per share and, except in certain limited circumstances, vote together with the holders of the Company's common stock. Certain actions may not be undertaken without the separate vote of the holders of at least 70% of the then outstanding Series A Preferred, including without limitation (i) the issuance of any security senior or on parity to the Series A Preferred, (ii) any merger or consolidation of the Company or any sale of all or substantially all of its assets, (iii) the Company entering into material joint venture or similar arrangement, other than in the ordinary course of business, and (iv) making any changes to the Company's stock option plan and any grants there under. Shares of the Series A Preferred are convertible into shares on common stock initially on a one for one basis. The conversion rate is subject to adjustment upon the occurrence of certain dilutive stock issuances and in the event of stock splits, reclassifications and the like. As of March 31, 2004, and March 31, 2003 the Company had accumulated \$0 and \$1,960,000, respectively, as preferred dividend. However, no dividend has been declared by the board.

CONVERSION OF PREFERRED STOCK

The initial conversion price of the shares of Series A Preferred Stock was \$1.00 per share. The conversion price of the \$20 Million Loan, the \$5 Million Loan and the Additional \$5 Million Loan triggered certain anti-dilution provisions applicable to the Company's 9,000,000 issued and outstanding shares of Series A Preferred Stock. The Company's Series A Preferred Stock include weighted average anti-dilution provisions which result in a lowering of the conversion price of the shares of such Preferred Stock into the Company's common stock anytime shares of common stock are issued (or options or other securities exercisable or convertible into common stock) for a price per share less than that paid for the Series A Preferred Stock. After application of these anti-dilution provisions, the 9,000,000 shares were convertible at approximately \$.645 per share.

On June 12, 2003, GNB Bank converted all of the 7.0 million shares of Series A Preferred Stock owned by it into 10,852,714 shares of common stock at the adjusted conversion price of \$.645 per share. On the same day, Premium Quality Fund converted all of the 2.0 million shares of Series A Preferred Stock owned by it into 3,100,775 shares of common stock at the adjusted conversion price of \$.645 per share.

CONVERSION OF LOANS PAYABLE TO COMMON STOCK

On September 30, 2003, Hispanic Telecommunications Holding, S.A., a Luxembourg company, ("HTH") purchased from GNB Bank (Panama) S.A. ("GNB") \$20 million of face amount convertible promissory notes issued by the Company on September 30, 2002, November 26, 2002 and February 17, 2003. On the same date, HTH converted the notes, in accordance with their terms, into 50,000,000 million shares of common stock of the Company.

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Phone1Globalwide Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Stock Options

The Company has adopted a stock option plan (the Plan) for employees, consultants and directors of the Company. Stock options granted pursuant to the Plan shall be authorized by the Board of Directors. The aggregate number of shares, which may be issued under the Plan, shall not exceed 4,000,000 shares of common stock. Stock options are granted at prices not less than 100% of the fair market value on the date of the grant. All options granted, for the periods presented, have been at fair market value except for one employee. Option terms, vesting, and exercise periods vary, except that the term of an option may not exceed ten years.

On April 16, 2002, the Company granted 240,000 options to an executive. The strike price of the options was the closing price at April 16, 2002. The options were fully vested at the grant date.

The Company granted 1,310,000 options to three directors, four executives and two employees. The exercise price of the options was the closing price as of May 30, 2003. The options are fully vested.

In April 2002, the Board of Directors amended and restated its Stock Incentive Plan to increase the number of shares of common stock that may be subject to stock options granted to non-employee directors upon their beginning service as a director from 50,000 shares to 150,000 shares and to authorize the grant of stock options to purchase up to a maximum of 75,000 shares in any calendar year. Stock option grants made in connection with a non-employee director's beginning service shall be 50% vested and exercisable on the date of grant and the remainder of the stock option will vest and become exercisable on the first anniversary of the date of grant. Stock option grants made in calendar years other than the calendar year in which a non-employee director begins service shall vest and become exercisable as determined by the Board of Directors. The Board of Directors also amended the Stock Incentive Plan to provide for a "cashless exercise" procedure with respect to all stock options granted under the Stock Incentive Plan if the Common Stock is quoted on the Over The Counter Bulletin Board

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Phone1Globalwide Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Information with respect to stock option activity is as follows:

2004		2003	
Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price

Outstanding at beginning of year	1,674,000	\$ 1.74	1,916,000	\$ 2.58
Granted	1,310,000	\$ 1.23	240,000	\$ 1.10
Exercised	—	—	—	—
Forfeited	(75,000)	) \$ 2.68	(482,000)	) \$ 4.77
Outstanding at end of year	2,909,000	1.49	1,674,000	\$ 1.74
Options exercisable at end of year	2,909,000		1,374,750	
Weighted-average fair value of options granted during the year		\$ 1.23		\$ 1.10

The following information applies to options outstanding at March 31, 2004.

Range of Exercise Prices	Shares	Options Outstanding		Shares	Options Exercisable	
		Weighted Average Remaining Contractual Life	Weighted Average Exercise Price		Weighted Average Exercise Price	
\$.95 - \$ 2.25	2,700,000	8.17	\$ 1.36	2,700,000		\$ 1.36
\$ 2.50 - \$ 3.12	209,000	6.11	\$ 3.10	209,000		\$ 3.10

The fair value of each option grant is estimated on the date of grant using the binomial option-pricing model with the following weighted-average assumptions used for grants in 2004 and 2003, respectively: expected volatility of 272 % for 2004 and 332% for 2003; risk-free interest rates of 4.78% in 2004 and 4.87% in 2003; and expected holding periods is 3 years in 2003 and 3 years in 2004.

NOTE O - RELATED PARTY TRANSACTIONS

Since June 2001, the Company has purchased branded handsets and certain equipment from TU, LLC a privately-held company based in Ohio. In June 2001, an employee of TU began providing consulting services to Phone1. Thereafter, the consultant became a full-time employee of Phone1 and, now serves as an executive officer of Phone1. The spouse of the executive officer is a vice-president of TU and owns less than 5% of the outstanding equity in TU. For each of the years ended March 31, 2004 and 2003, the Company paid \$1,256,700 and \$1,160,000, respectively, for product purchased from TU.

On July 15, 2002, the Company entered into an agreement with EMIDA Technologies, Inc. for \$ 775,000. Under the agreement EMIDA will provide services to coordinate the integration of the new CDR export application software, data warehouse system telecommunication mapping software and EMIDA's Telco Operating Support Portal to the Company. The Chairman of the Board of the Company is a former director and executive vice president of EMIDA. For each of the years ended March 31, 2004 and 2003, the Company paid EMIDA \$393,800 and \$290,700, respectively, under the agreement. The amount due to EMIDA was \$ 90,700 and \$484,500 as of March 31, 2004 and March 31, 2003 respectively. The value of the software which is equal to \$775,200 is classified as other assets on the balance sheet and will be reclassified to fixed assets and depreciated upon completion of the project.

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Phone1Globalwide Inc. and Subsidiaries Notes to Consolidated Financial Statements

For the year ended March 31, 2004 and 2003, the Company paid LF Marketing approximately \$263,000 and \$318,000, respectively for services rendered in connection with the Company's street marketing campaign. As independent contractors, LF Marketing was responsible for the payment of costs and expenses associated with their services. LF Marketing is owned by the brother and sister-in-law of a non-executive officer of the Company.

During the years ended March 31, 2004 and 2003, the Company paid Consad Corp. \$108,000 and \$622,000, respectively for products and services. The Company's Chief Executive Officer is a former director of Consad Corp. Consad Corp. is a minority owner of MTG. See Note A.

Other related party transactions are disclosed in Notes H, I and M.

NOTE P – SUBSEQUENT EVENTS

On May 25 2004, WINSIDE Investments (Panama) S.A. subscribed to, and purchased from the Company 3,571,428 restricted shares of its common stock for \$1.40 per shares or \$5,000,000.

Subsequent to the year end the Company reached a settlement agreement with Next Communication, Chalom Arik Meimoun, Engin Yesil, Juvin Kivilcim and George G. Levin under which Next Communication paid the Company \$960,000 in cash and approximately \$155,000 of telecommunication services which would otherwise be owed by the Company to Next. Settlement also resulted in a dismissal with prejudice and with the Company not required to pay any damages or any other amounts to Yesil, Kivilcim and Levin.

On April 30, 2004, the Company entered into an employment agreement with Lou Giordano for an annual base salary of \$240,000. The expiration date of the agreement is April 30, 2005. The employment agreement also provide that in the event of the Company's material breach or termination of the executive's employment during the term of the agreement, without cause, in the event of a change of control (as defined in the agreements) or by the executive, with good cause (as defined in the agreements), the executive shall be entitled to receive as severance pay a lump sum of up to two year's salary. The executive is entitled to a bonus, to the extent determined by the Board of Directors, and to participate in the Company's stock option and other compensatory and benefit plans established for the benefit of employees. The executive has also assigned to the Company all of their rights to inventions created by them during the course of their employment, and the agreements contain one-year restrictive covenants following termination of the agreement, restricting them from competing against the Company or soliciting our employees.

Subsequent to the end of fiscal year 2004 the Company borrowed approximately \$1,279,000 on an overdraft facility with GNB Bank. On May 26, 2004 the outstanding balance under this facility was paid with the proceeds from the sale of shares of the Company's stock.

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ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 8A. CONTROLS AND PROCEDURES

(a) *Evaluation of Disclosure Controls and Procedures*

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Within the 90 days prior to the filing of this report, we carried out an evaluation, under the supervision and with the participation of the our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon and as of the date of that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required.

b) Changes in Internal Controls

There were no changes in our internal controls or in other factors, other than described below, that could have significantly affected those controls subsequent to the date of our most recent evaluation.

Grant Thornton LLP, in connection with the audit of the Company's two most recent fiscal years ended March 31, 2004, identified significant deficiencies, that in the aggregate, constitute material weaknesses under standards established by the Public Company Accounting Oversight Board. These matters relate to our processes of identifying related parties and reviewing and approving our CEO's expense report, as further described below:

- During the fourth quarter of Fiscal Year 2004 we recorded a settlement of debt as an extraordinary gain of \$4.4 million. As part of the audit process, the settlement of debt was later reclassified as an adjustment to Additional Paid in Capital. Due to the recent change in control, we were not able to gather the appropriate information on a timely manner that resulted in this reclassification. We have implemented a formalized process which will assist us in identifying and documenting related parties in a timely manner to allow us to properly report related party transactions; and
- During Fiscal Year 2004, our CEO's expense reports were not reviewed and approved by our Board. As a policy, CEO's expense reports are now being reviewed and approved by a board member.

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PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS :

COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

The following identifies our executive officers and directors and provides information about them:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Louis Giordano	39	Chairman of the Board of Directors
Dario Echeverry	44	President, Chief Executive Officer and Director
Michael Spritzer	59	Director
Syed Naqvi	39	Chief Financial Officer
James Dilowe Barker	44	Chief Operating Officer
Federico Fuentes	50	Chief Technical Officer

LOUIS GIORDANO has served as a Director since February 2000. In June 2003, he formed MLG Solutions, Inc. to provide advisory services primarily to early stage companies with respect to business development and capital raising activities. From October 2002 until March 2003, he served as Executive Vice President and a Director of EMIDA Technologies, Inc. He served as the Executive Vice President and Chief Financial Officer of New World Network Holdings, Ltd. (New World) from June 2000 to August 2002, after New World received approximately \$400 million in a combination of debt and equity financing to complete its funding of ARCOS-1, a fiber optic submarine cable ring which connects the United States to points in Mexico, Central America, South America and the Caribbean. Before joining New World, Mr. Giordano served in the financial services sector for more than 13 years, primarily in mergers and acquisitions in Latin America. Mr. Giordano served as Director of Latin American Corporate Finance at Barclays Bank PLC from 1997 to 1998, where he managed a group providing debt financing to telecommunications and power companies in Latin America. From 1995 to December 1997, Mr. Giordano was employed at and served on the Board of Directors of Banco de Colombia where he acted as an advisor on international strategy and operations advising the Chairman of the Board of Directors. Mr. Giordano received his B.S. degree in Finance from the University of Virginia.

DARIO ECHEVERRY has served as a Director and our acting Chief Executive Officer since July 2002. He has served as our Chief Executive Officer since November 2002. Mr. Echeverry has 21 years of experience on startups and running companies in different sectors (construction, civil engineer, environmental engineer). In 1995 he became the president of Inmobiliaria Bancol (Banco de Colombia) and also served as a Member of the Board of Directors of Banco de Colombia Trust Corp. Mr. Echeverry received a Bachelors degree in Civil Engineering from Universidad de los Andes in 1983. Mr. Echeverry has also served as President and CEO of Phone1, Inc. since its inception.

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MICHAEL SPRITZER has served on our Board of Directors since February 2000 and currently is the senior partner in charge of the tax department of Berenfeld, Spritzer, Shechter & Sheer, CPA's, located in Miami Florida where he has practiced for the past 31 years. Mr. Spritzer has served as Chairman of the Board of Eagle National Bank of Miami since August 1999 and been a member of its Board of Directors since 1997. Mr. Spritzer is a member of the Board of Overseers of Hebrew Union College-Jewish Institute of Religion, New York, New York and a member of the Board of Directors of the Union of American Hebrew Congregations, New York City, New York. Mr. Spritzer is a member of the Florida Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.

SYED A. NAQVI has served as the Controller of Phone1Globalwide since December 2000, and has served as its Chief Financial Officer since May 2001. Mr. Naqvi has experience in operational finance and consulting in various executive/management positions. Before joining Globaltron, from August 1999 to November 2000, he was the executive consultant for Focus Consulting Group providing strategic consulting and business development services to startups, middle market companies, and advising various governments and companies in contract negotiations. From March 1998 to August 1999, Mr. Naqvi was the Chief Financial Officer of Intelesis Group Inc. From February 1997 to February 1998, Mr. Naqvi was the Chief Financial Officer of TelMed Inc. Mr. Naqvi has also held various positions with Columbia-HCA, Inc. and Laboratory Corporation of America Holdings. Mr. Naqvi received his B.A. in Accounting from Florida Atlantic University. He is a Certified Public Accountant and a member of Financial Executives International.

DILOWE BARKER has served as the Vice President of Public Communication of Phone1, Inc. since December 2001 and has served as the Chief Operating Officer of Phone1Globalwide, Inc. since November 2002. Mr. Barker has over 13 years experience in the payphone industry. He has expertise in the area of multiple smart technology products that interface with various host and routing platforms ranging from coin sent paid to operator service providers. Mr. Barker assisted in the development of Universal Communications, Inc. beginning in 1990 and participated in its growth from a 3-employee start up with his wife and partners to an over 98-employee enterprise after merging with T.R.I.A.D. Inc. in 1999. Mr. Barker was a consultant to Phone1, Inc from March 2001 to December 2001. From May 1991 to May 2001 he was Director of Operations of TU / Universal.

FEDERICO FUENTES has served as the Chief Technology Officer of Phone1Globalwide, Inc. since January 2003. From 1995 to 2003, Mr. Fuentes was assigned to perform various engineering projects for Multielectronica CYRF, a telecommunications applications support and consulting firm located in Caracas, Venezuela. From June 2000 to January 2003, he provided consulting services to Globaltron Communications Corporation (prior to its merger into our company) and, thereafter, to us, through Multielectronica CYRF. From 1986 to 1995, he served in various capacities, initially as Head of Installation and ultimately as Chief Engineer, of VozDatos CA, a Venezuela-based network installation firm.

Frederic Z. Haller served on our Board of Directors until June 27, 2004, when he resigned to concentrate on his practice as an investment banker and consultant.

There is no family relationship between any of our officers and directors.

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Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers, directors and 10% stockholders to file reports regarding initial ownership and changes in ownership with the SEC. Executive officers, directors, and 10% stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Our information regarding compliance with Section 16 is based solely on a review of the copies of such reports furnished to us by our executive officers, directors and 10% stockholders. These forms include (i) Form 3, which is the Initial Statement of Beneficial Ownership of Securities, (ii) Form 4, which is a Statement of Changes in Beneficial Ownership, and (iii) Form 5, which is an Annual Statement of Changes in Beneficial Ownership.

Based solely upon our review of Forms 3, 4 and 5 filed with us, the following transactions were not reported on a timely basis: On April 17, 2002, Frederic Z. Haller (former member of our Board of Directors) filed Form 4 to disclose his acquisition of 5,000 shares on March 8, 2002 and his acquisition of an option to buy on May 9, 2001. On October 29, 2002, Syed Naqvi filed Form 3 disclosing his initial beneficial ownership by reason of his becoming a reporting person on May 22, 2001. On November 20, 2002, Michael Spritzer filed Form 4 to disclose his acquisition of 1,000 shares on April 25, 2001. On November 20, 2002, Dario Echeverry filed Form 3 disclosing his initial beneficial ownership by reason of his becoming a reporting person on April 16, 2002. On November 21, 2002, Frederick Z. Haller filed Form 4 to disclose his acquisition of an option to buy on March 12, 2002. On December 3, 2002, GNB Bank Panama S.A. filed Form 4 to disclose its acquisition of a convertible promissory note on November 26, 2002. On December 4, 2002, Dilowe Barker filed Form 3 disclosing his initial beneficial ownership by reason of his becoming a reporting person on November 12, 2002. On December 5, 2002, Premium Quality Fund filed Form 4 to disclose its grant of an option to buy on November 27, 2002. On March 12, 2003, GNB Bank Panama, S.A. filed Form 4 to disclose its acquisition of a convertible promissory note on February 17, 2003. On June 18, 2003, Federico Fuentes filed a Form 3 to disclose his initial beneficial ownership by reason of his becoming a reporting person on January 1, 2003.

On March 12, 2003, GNB Bank Panama, S.A. filed Form 4 to disclose its acquisition of a convertible promissory note on February 17, 2003. On June 18, 2003, Federico Fuentes filed a Form 3 to disclose his initial beneficial ownership by reason of his becoming a reporting person on January 1, 2003.

Audit committee financial expert

Our Board has determined that Michael Spritzer qualifies as our "audit committee financial expert," as that term is defined in Item 401(e) of Regulation S-B, and "independent" as that term is used in Item 7 (d) (3)(iv) of schedule 14A under the Securities Exchange Act of 1934.

Code of ethics

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer and other persons performing similar functions, as well as all of our other employees and directors. This code of ethics is filed as Exhibit [] to this report.

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth certain summary information for the years indicated concerning the compensation awarded to, earned by, or paid to (i) those persons serving as the Chief Executive Officer during the Fiscal Year 2004 and (ii) our most highly compensated executive officers other than the Chief Executive Officer who served as executive officers Fiscal Year 2004. The persons named in this table shall be collectively referred to as the Named Executive Officers.

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Summary Compensation Table

	Long Term Compensation
Annual Compensation	Awards Payouts

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Restricted Stock Awards (\$)	Securities Underlying Options/SARs (#)	LTIP Payouts (\$)	All Other Compensation (\$)
Dario Echeverry	2004	\$264,423	-0-	-0-	-0-	-0-	-0-	\$14,608 (5)
	2003	\$194,401	-0-	-0-				-0-
Chief Executive Officer (1)	2002	\$54,000	-0-	\$74,723	-0-	-0-	-0-	-0-
Syed Naqvi	2004	\$232,692	-0-	-0-	-0-	-0-	-0-	-0-
	2003	\$195,249	-0-	-0-				
Chief Financial Officer (2)	2002	\$146,538	-0-	-0-	-0-	-0-	-0-	-0-
Dilowe Barker	2004	\$232,692	-0-	-0-	-0-	-0-	-0-	-0-
	2003	\$175,998		-0-				
Chief Operating Officer (3)	2002	\$ 51,000	-0-	\$ 65,000	-0-	-0-	-0-	-0-
Federico Fuentes	2004	\$232,692	-0-	-0-	-0-	-0-	-0-	-0-
	2003	\$27,744	-0-	\$162,824				
Chief Technology Officer (4)	2002		-0-	\$140,298	-0-	-0-	-0-	-0-

1. Mr. Echeverry became Chief Executive Officer effective on November 13, 2002. From April 16, 2002 until November 13, 2002, he served as Acting Chief Executive Officer and, since June 13, 2001, has also served as the Chief Executive Officer of Phone1, Inc. Other Annual Compensation for the 2002 fiscal year consists of consulting fees paid to Mr. Echeverry or his affiliate prior to his becoming our salaried employee.
2. Mr. Naqvi has served as Chief Financial Officer since May 22, 2001.
3. Mr. Barker became Chief Operating Officer on November 13, 2002. Since December 2001, he has also served as Vice President of Public Communications of Phone1, Inc. Other Annual Compensation for the 2002 fiscal year consists of consulting fees paid to Barker or his affiliate prior to his becoming our salaried employee.
4. Mr. Fuentes became Chief Technology Officer on January 1, 2003. Other Annual Compensation for the 2002 fiscal year consists of consulting fees paid to Mr. Fuentes or his affiliate prior to his becoming our salaried employee.
5. Consists of automobile allowance.

Stock Option Grants in Last Fiscal Year

The following table includes information as to the grant of options to purchase shares of common stock during the Fiscal Year 2004 to each person who was granted options and who is a Named Executive Officer.

Individual Grants

Name	Number of Securities Underlying Options SAR's Granted	Percent of Total Options/SARs Granted to Employees in Fiscal Year	Exercise Price Base Price (\$sh)	Expiration Date
Dario Echeverry	260,000	100%	\$1.23	5/09/13
Syed Naqvi	200,000	100%	\$1.23	5/09/13
Dilowe Barker	300,000	100%	\$1.23	5/09/13
Federico Fuentes	200,000	100%	\$1.23	5/09/13

Stock Incentive Plan

We sponsor the Amended and Restated Phone1 Globalwide 2000 Stock Incentive Plan ("Stock Incentive Plan"), which has 4.0 million shares reserved for issuance. Participation in the Stock Incentive Plan is limited to our employees, consultants and directors, and those of our affiliates. The Stock Incentive Plan provides for grants of non-qualified stock options and incentive stock options to purchase shares of common stock and restricted stock. The Stock Incentive Plan provides for equitable adjustment of the number of shares subject to the Stock Incentive Plan, the number of shares of each subsequent award of stock, and the unexercised portion of the stock option award described below in the event of a change in the our capitalization due to a stock split, stock dividend re-capitalization, merger, or similar event.

In April 2002, the Board of Directors amended and restated the Stock Incentive Plan to increase the number of shares of common stock that may be subject to stock options granted to non-employee directors upon their beginning service as a director from 50,000 shares to 150,000 shares and to authorize the grant of stock options to purchase up to a maximum of 75,000 shares in any calendar year. Stock option grants made in connection with a non-employee director's beginning service shall be 50% vested and exercisable on the date of grant and the remainder of the stock option will vest and become exercisable on the first anniversary of the date of grant. Stock option grants made in calendar years other than the calendar year in which a non-employee director begins service shall vest and become exercisable as determined by the Board of Directors. The Board of Directors also amended the Stock Incentive Plan to provide for a "cashless exercise" procedure with respect to all stock options granted under the Stock Incentive Plan if the common stock is quoted on a national market or on the Over the Counter Bulletin Board.

Unless terminated earlier by the Board of Directors, the Stock Incentive Plan will terminate on October 1, 2010.

As of March 31, 2004, options to purchase 2,909,000 shares were outstanding at exercise prices ranging from \$0.95 to \$3.13 and 1,091,000 shares were available for issuance under the Stock Incentive Plan.

Option Exercises and Year End Values

The following table includes information as to the exercise of options to purchase shares of common stock during the Fiscal Year 2004 by each of our executive officers and the unexercised options held as of the end of the Fiscal Year 2004.

Name	Shares Acquired On Exercise	Value Realized (\$)	Number of Securities Underlying Unexercised Options/SARs at FY-End Exercisable/Unexercisable	Value of Unexercised In-the-Money Options/SARs at FY-End (\$)
Dario	-0-	-0-	500,000 / -0-	\$176,000 / -0-

Echeverry	-0-	-0-	400,000 / -0-	\$ 58,000 / -0-
Syed A. Naqvi	-0-	-0-	400,000 / -0-	\$104,000/ -0-
Dilowe Barker	-0-	-0-	400,000 / -0-	\$ 92,000 / -0-
Federico Fuentes	-0-	-0-	400,000 / -0-	

During the fiscal year March 31, 2004, options to purchase an aggregate of 960,000 shares of common stock were granted to the Named Executive Officers.

Compensation of Directors

Under the Stock Incentive Plan, each non-employee director may receive an option to purchase up to a maximum of 150,000 shares of common stock as of the date the non-employee director begins serving in that capacity. Additionally, each non-employee director may also receive an option to purchase up to a maximum of an additional 75,000 shares of common stock in a calendar year. The exercise price for each option is the fair market value of the common stock at the time of grant. During the Fiscal Year 2004, each of our three non-employee directors was awarded an option to purchase 50,000 shares of common stock.

Employment Agreements

We have entered into executive employment agreements with Dario Echeverry, our Chief Executive Officer, Syed Naqvi, our Chief Financial Officer, Dilowe Barker, our Chief Operating Officer and Federico Fuentes, our Chief Technical Officer. Mr. Echeverry receives a base salary of \$250,000 per year and Messrs. Naqvi, Barker and Fuentes each receives a base salary of \$220,000 per year. The agreements with Messrs. Echeverry and Naqvi are for three year initial terms, terminating April 1, 2005. The agreement with Mr. Barker is for a three year initial term ending December 31, 2005. The agreement with Mr. Fuentes is for an initial term of two years ending December 31, 2004. The agreements provide that the executives are entitled to bonuses to the extent determined by our Board of Directors, and to participate in employee benefit programs, including our stock option plan.

Each agreement provides for automatic one year renewal terms, unless a party provides notice of termination at least 90 days prior to the end of the initial or any renewal term. Each agreement contains usual and customary grounds for termination by us, and may be terminated by the executive for good reason. In the event we terminate the agreement without cause, the executive terminates the agreement for good reason, or in the event we experience a change in control (as defined in the agreement), we must pay the executive a lump sum in an amount of up to two years' salary at his then current rate. Each agreement also contains confidentiality provisions, designed to protect confidential information imparted to the executive during the course of his employment. The executive also assigns all of his rights to inventions created by the executive during the course of his employment. Each agreement also contains a one-year restrictive covenant following termination of the agreement, restricting the executive from competing against us or soliciting our employees.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of June 15, 2004, the shares of common stock owned beneficially by (i) each of our Executive officers, (ii) each of our current Directors, (iii) all Executive Officers and Directors as a group, (iv) each person known by us to be the beneficial owner of more than five percent of our common stock. Beneficial Ownership is a technical term broadly defined by the Securities and Exchange Commission to mean more than ownership in the usual sense. For example, you beneficially own common stock not only if you hold it directly, but also if you hold indirectly (through a relationship, a position as a director or trustee, or a contract or understanding), have (or share the power to vote the stock, or sell it) the right to acquire it within 60 days. Except as disclosed in the footnotes below, each of the Executive Officers, Directors and Nominees for Directors listed have sole voting and investment power over his or its shares. As of June 15, 2004, there were 144,778,423 shares of common stock issued and outstanding and approximately 55 holders of record.

Name of Beneficial Owner	Title	Amount of Shares	Percent of Class
Louis Giordano	Chairman of the Board of Directors and Director	235,000(1)	*
Dario Echeverry	President, Chief Executive Officer and Director	500,000(2)	*
Michael Spritzer	Director	251,000(1)	*
Frederic Z. Haller	Director(3)	285,000(1)	*
Syed Naqvi	Chief Financial Officer	400,000(2)	*
Dilowe Barker	Chief Operating Officer	441,000(4)	*
Federico Fuentes	Chief Technology Officer	400,000(2)	*
Officers and Directors as a group (7 persons)		2,512,000(1)(2)(4)	1.7%
Hispanic Telecommunication Holding S.A. (5)		99,414,661	68.7%
Premium Quality Fund (6)		17,394,775	12.0%
Whitmer Ltd. (7)		9,576,000	6.61%

* Less than 1%.

1. Includes options to purchase 225,000 shares of common stock.

2.
Consists entirely of options to purchase shares of common stock.

3.
Mr Haller resigned on June 27, 2004

4.
Includes options to purchase 400,000 shares of common stock. 41,000 shares are owned of record by the spouse of Mr. Barker. Mr. Barker disclaims beneficial ownership of the shares owned by his spouse.

5.
Their address is 9 Rue Schiller, Luxembourg, L-251 Luxembourg.

6.
Their address is c/o Maples & Calder, P.O. Box 309, Grand Cayman, Cayman Islands, British West Indies. Information has been obtained from Schedule 13D/A filed by Premium Quality Fund on December 6, 2002 and Form 4 filed June 17, 2003.

7.
Their address is c/o Aleman, Cordero, Galindo & Lee Trust (Panama) S.A., 2nd Floor, Swiss Bank Building, East 53rd Street, Marbella, P.O. Box 6-1040, El Dorado, Panama City, Panama. Information has been obtained from Schedule 13D filed May 15, 2001.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Since June 2001, we have purchased branded handsets and certain equipment from TU, LLC a privately-held company based in Ohio. In March 2001, Dilowe Barker, then an employee of TU began providing consulting services to Phone1. Thereafter, Mr. Barker became a full-time employee of Phone1 and, now serves as our Chief Operating Officer. The spouse of Mr. Barker is a vice-president of TU and owns less than 5% of the outstanding equity in TU. For the Fiscal Year 2003 and Fiscal Year 2004, we paid \$1.3 and \$1.2, respectively, for product purchased from TU.

On July 15, 2002, we entered into an agreement with EMIDA Technologies, Inc. for \$775,000. Under the agreement EMIDA will provide

services to coordinate the integration of certain export application software, data warehouse system telecommunication mapping software and EMIDA's Telco Operating Support Portal to us. Louis Giordano, our Chairman of the Board, served as Executive Vice President and a director of EMIDA from October 2002 until March 2003. For each of the years ended March 31, 2004 and 2003, we paid EMIDA \$393,800 and \$290,700, respectively, under the agreement.

Michael Spritzer, a member of our Board is also the Chairman of the Board of Eagle National Bank of Miami, a financial institution the Company does business with. As of March 31, 2004, the Company has \$370,268 of cash with Eagle National Bank of Miami. See "Item 6. Managements Discussion and Analysis or Plan of Operations. Indebtedness. Financial debt."

MLG Solutions Inc ("MLG"), a company controlled by Louis Giordano, Chairman of our Board, provided consultation services to an affiliate of Eagle National Bank of Miami during the last four months of Fiscal Year 2004 and was compensated at market rate for those services.

During Fiscal Year 2004 and Fiscal Year 2003, we paid \$263,000 and \$318,000, respectively to LF Marketing for services rendered in connection with our street marketing campaign. As independent contractor, LF Marketing was responsible for the payment of costs and expenses associated with their services. LF Marketing is owned by the brother and sister-in-law of one of our non-executive officer.

During Fiscal Year 2004 and Fiscal Year 2003, we paid \$108,000 and \$622,000 respectively, to Consad Corp. for billing and consulting services. Consad Corp. is a minority owner of MTG, our joint venture partner in Phone1Smart. Our Chief Executive Officer is a former director of Consad Corp.

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ITEM 13. EXHIBITS, LIST AND REPORTS ON FORM 8-K

(a) Exhibits

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits.

The following documents are filed as a part of this report or are incorporated by reference to previous filings, if so indicated:

- 2.1.2 Stock Purchase Agreement between Win-Gate Equity Group, Inc. and the Shareholders of Globaltron Communications Corporation dated January 21, 2000. (1)
- 2.2.1 Certificate of Merger between Phone1Globalwide, Inc., a Florida corporation and Phone1Globalwide Inc., a Delaware corporation. (8)
- 2.2.2 Articles of Merger between Phone1Globalwide, Inc., a Florida corporation and Phone1Globalwide Inc., a Delaware corporation. (8)
- 2.3 Plan and Agreement of Merger between Phone1Globalwide, Inc., a Florida corporation and Phone1Globalwide Inc., a Delaware corporation. (8)
- 3.1.1 Articles of Incorporation of Win-Gate Equity Group, Inc. (2)
- 3.1.2 Articles of Amendment to the Articles of Incorporation. (5)
- 3.1.3 Certificate of Designation for the Series A 8% Convertible Preferred Stock. (9)
- 3.1.4 Certificate of Incorporation of Phone1Globalwide, Inc. (8)
- 3.2.1 By-Laws of Win-Gate Equity Group, Inc. (2)
- 3.2.2 Bylaws of Phone1Globalwide, Inc. (8)
- 4.1 Specimen common stock Certificate. (2)
- 10.1.1 Win-Gate Equity Group, Inc. 1996 Stock Option Plan. (2)

- 10.1.2 Globaltron Corporation's 2000 Stock Incentive Plan. (4)*
- 10.1.3 Amendment Number One to Globaltron Corporation 2000 Stock Incentive Plan. (7)*
- 10.1.4 Amended and Restated Phone1 Globalwide, Inc. 2000 Stock Incentive Plan. (12)*
- 10.1.5 Amendment to Phone1 Globalwide, Inc. 2000 Stock Incentive Plan. (12)*
- 10.1.6 Schedule A to the Minutes of the Board of Directors. (12)*
- 10.2 Pledge and Security Agreement dated May 15, 2001 between Globaltron Corporation and the shareholders of Phone1, Inc. (6)
- 10.3 Loan Agreement dated October 31, 2001 among Phone1, Inc., Phone1 Globalwide Inc. and GNB Bank (Panama) S.A. (8)
- 10.4 Service and License Agreement dated April 4, 2002 by and between Globaltron Communications Corporation and Verestar, Inc. (12)
- 10.5 Equipment Vendor Settlement Agreement between Globaltron Communications Corporation and New Skies Satellites N.V. (12)

- 10.6 Limited liability Company Agreement dated November 16, 2001 of Phone1 Smart LLC between Phone1 Inc. and MTG Interconnection LC. (10)
- 10.7 Overdraft Loan Facility dated March 27, 2002 between GNB Bank (Panama) S.A. and Phone1, Inc., together with promissory note in the amount of \$2,000,000. (12)
- 10.8 Amendment to Overdraft Loan Facility dated April 29, 2002 between GNB Bank (Panama) S.A. and Phone1, Inc., together with promissory note in the amount of \$1,200,000. (12)
- 10.9 Amendment to Overdraft Loan Facility dated May 30, 2002 between GNB Bank (Panama) S.A. and Phone1, Inc., together with promissory note in the amount of \$380,000. (12)
- 10.10 Amendment to Overdraft Loan Facility dated June 20, 2002 between GNB Bank (Panama) S.A. and Phone1, Inc., together with promissory notes in the amounts of \$400,000 and \$600,000. (12)
- 10.11 License Agreement dated June 21, 2002 between QuorTech and Phone1. (12)
- 10.12 Promissory Note dated May 8, 2001 in the amount of \$1,250,000. (12)
- 10.13 Promissory Note dated June 6, 2001 in the amount of \$1,200,000. (12)
- 10.14 Promissory Note dated July 16, 2001 in the amount of \$2,000,000 (12)
- 10.15 Loan agreement dated September 28, 2001 by and between Phone1, Inc. and Eagle National Bank of Miami. (12)
- 10.16 Intentionally omitted.
- 10.17 Loan Agreement dated March 29, 2002 by and between Phone1, Inc. and Eagle National Bank of Miami. (12)
- 10.18 Loan agreement dated April 29, 2002 by and between Phone1, Inc. and Eagle National Bank of Miami. (12)
- 10.19 Loan Agreement dated May 30, 2002 by and between Phone1, Inc. and Eagle National Bank of Miami. (12)
- 10.20 Amendment to Overdraft Loan Facility dated as of July 8, 2002 by and between Phone1, Inc. and GNB Bank (Panama) S.A., increasing the Overdraft Facility to \$6,000,000. (3)(11)
- 10.21 Amendment to Overdraft Loan Facility dated as of July 16, 2002 by and between Phone1, Inc. and GNB Bank (Panama) S.A., increasing an Overdraft Facility to \$9,000,000. (3)(11)
- 10.22 Agreement dated as of July 28, 2002 by and between Phone1, Inc. and Telesector Resource Group, Inc. for 1+ International Sent Paid Service. (3)(11)
- 10.23 Reseller Agreement dated as of January 14, 2002, as amended June 25, 2002, by and between Phone1, Inc. and Sprint. (3)(11)
- 10.24 Phone1 Independent Agent Agreement dated as of July 1, 2002, by and between Phone1, Inc. and Qwest Interpsie America. (3)(11)
- 10.25 Exclusive Reseller Agreement dated July 24, 2001 by and between Protel, Inc. and Phone1, Inc. (3)(11)
- 10.26 Loan Agreement dated September 30, 2002, among Phone1, Inc., Phone1 Globalwide, Inc., Globaltron Communications Corporation and GNB Bank Panama S.A. (13)
- 10.27 Security Agreement dated September 30, 2002, among Phone1, Inc., Phone1 Globalwide, Inc., Globaltron Communications Corporation and GNB Bank Panama S.A. (13)
- 10.28 Promissory Note dated September 30, 2002, in the original principal amount of \$20 million issued to GNB Bank Panama, S.A. (13)
- 10.29 Agreement dated October 15, 2002 between Phone1, Inc. and Via One Telecommunications, Inc. (14)

- 10.30 Loan Agreement dated November 26, 2002, among Phone1, Inc., Phone1Globalwide, Inc., Globaltron Communications Corporation and GNB Bank Panama S.A. (15)
- 10.31 Security Agreement dated November 26, 2002, among Phone1, Inc., Phone1Globalwide, Inc., Globaltron Communications Corporation and GNB Bank Panama S.A. (15)
- 10.32 Promissory Note in the original principal amount of \$5 million issued to GNB Bank Panama, S.A. (15)
- 10.33 Letter dated November 27, 2002, from GNB Bank Panama S.A. notifying Phone1, Inc. that it is not accelerating the maturity date of the \$20 Million Loan. (15)
- 10.34 Sent Paid Services Agreement From SBC Payphones dated December 10, 2002, among Phone1, Inc. and SBC Services, Inc. (11)(16)
- 10.35 Conversion Notice dated December 19, 2002 by GNB Bank Panama S.A. to Phone1, Inc., Phone1Globalwide, Inc. and Globaltron Communications Corporation. (17)
- 10.36 Promissory Note in the principal amount of \$10 million issued to GNB Bank Panama S.A. which replaces the original Promissory Note issued to GNB Bank Panama S.A. pursuant to the Loan Agreement dated September 30, 2002 among Phone1, Inc., Phone1Globalwide, Inc., Globaltron Communications Corporation and GNB Bank Panama S.A. (17)
- 10.37 Employment Agreement dated November 21, 2002, between Phone1Globalwide, Inc. and Syed Naqvi, as amended effective January 1, 2003. (18)*
- 10.38 Employment Agreement dated December 4, 2002, between Phone1Globalwide, Inc. and Dario Echeverry, as amended effective January 1, 2003. (18)*
- 10.39 Employment Agreement dated March 17, 2003, between Phone1Globalwide, Inc. and Dilowe Barker. (21) *
- 10.40 Employment Agreement dated as of January 1, 2003, between Phone1Globalwide, Inc. and Federico Fuentes. (21) *
- 10.41 Consulting Agreement dated March 10, 2003 between Phone1Globalwide, Inc. and Stockholder Associates Corporation. (21)
- 10.42 Software License Agreement dated February 13, 2003 between PhoenixSoft, Inc. and Phone1, Inc. (21)
- 10.43 Support Agreement dated February 13, 2003 between PhoenixSoft, Inc. and Phone1, Inc. (21)
- 10.44 Amendment No. One dated April 1, 2003 to Sent Paid Services Agreement From SBC Payphones dated December 10, 2002, among Phone1, Inc. and SBC Services, Inc. (11)(19)
- 10.45 Loan Agreement dated February 17, 2003, among Phone1, Inc., Phone1Globalwide, Inc., Globaltron Communications Corporation and GNB Bank Panama S.A. (20)
- 10.46 Security Agreement dated February 17, 2003, among Phone1, Inc., Phone1Globalwide, Inc., Globaltron Communications Corporation and GNB Bank Panama S.A. (20)
- 10.47 Promissory Note in the original principal amount of \$5 million issued to GNB Bank Panama S.A. (20)
- 10.48 Confirmation dated February 17, 2003, that GNB Bank is exercising its option under the September 30, 2002 Loan Agreement to loan Phone1, Inc. \$5 million. (20)
- 10.49 Letter dated March 10, 2003, from GNB Bank Panama S.A. notifying Phone1, Inc. that it is not accelerating the maturity date of the November 26, 2002 \$5 Million Loan. (21)
- 10.50 Letter dated April 30, 2003, from GNB Bank Panama S.A. notifying Phone1, Inc. that it is extending the date to which it may accelerate the maturity date of the February 17, 2003 \$5 Million Loan. (21)
- 10.51 Letter dated May 11, 2003, from GNB Bank Panama S.A. extending the date by which we are required to file a registration statement. (21)
- 10.52 Letter dated February 20, 2003, between Phone1, Inc. and Via One Technologies, Inc., terminating Agreement dated October 15, 2002 (21)
- 10.53 Consulting Agreement dated April 15, 2002 between Phone1, Inc. and APC Development Inc. and Weaver Jordan. (21)

- 10.54 Letter dated July 16, 2003, from GNB Bank Panama S.A. notifying Phone1, Inc. that it is extending to August 31, 2003 the date to which it may accelerate the maturity date of the February 17, 2003 \$5 Million Loan. (22)
- 10.55 Letter dated July 16, 2003, from GNB Bank Panama S.A. extending to August 31, 2003 the date by which we are required to file a registration statement. (22)
- 10.56 Regulation S Subscription Agreement, dated September 30, 2003, by and between the Registrant and Hispanic Telecommunications Holding, S.A. (23)
- 10.57 Conversion Notice sent by Hispanic Telecommunications Holding, S.A. to Phone1Globalwide, Inc., Phone1, Inc. and Globaltron Communications Corporation relating to the note issued on September 30, 2002, as amended on December 20, 2002. (23)
- 10.58 Conversion Notice sent by Hispanic Telecommunications Holding, S.A. to Phone1Globalwide, Inc., Phone1, Inc. and Globaltron Communications Corporation relating to the note issued on November 26, 2002. (23)
- 10.59 Conversion Notice sent by Hispanic Telecommunications Holding, S.A. to Phone1Globalwide, Inc., Phone1, Inc. and Globaltron Communications Corporation relating to the note issued on February 17, 2003. (23)
- 10.60 Letter from GNB Bank Panama S.A. extending to November 30, 2003 the date by which we are required to file a registration

statement.(23)

- 10.61 Overdraft Loan Facility dated December 26, 2003 between GNB bank (Panama) S.A. and Phone1, Inc., together with promissory note in the amount of \$3,000,000.**
- 10.62 Employment Agreement dated __, 2004, between Phone1 Globalwide, Inc. and Louis Giordano.**
- 31.1 CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**
- 31.2 CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**
- 32 CEO and CFO Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

* Management Contract or Compensatory Plan.

** Filed herewith.

(1) Filed as an exhibit to our Current Report on Form 8-K (File No. 333-05188-A), as filed with the Securities and Exchange Commission on January 31, 2000.

(2) Filed as an exhibit to our Registration Statement on Form SB-2 (File No. 333- 5188-A), as filed with and declared effective by the Commission on October 10, 1997.

(3) Filed as an exhibit to our Quarterly Report on Form 10-QSB (File No. 333- 5188-A), as filed with the Commission on August 14, 2002.

(4) Filed as an exhibit to our Definitive Information Statement on Form 14C (File No. 333-05188-A), as filed with the Securities and Exchange Commission on October 16, 2000.

(5) Filed as an exhibit to our Quarterly Report on Form 10-QSB (File No. 333-05188-A), as filed with the Securities and Exchange Commission on February 20, 2001.

(6) Filed as an exhibit to our Current Report on Form 8-K (File No. 333-05188-A), as filed with the Securities and Exchange Commission on May 15, 2001, as amended on May 22, 2001.

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(7) Filed as an exhibit to our Current Report on Form 8-K (File No. 333-05188-A).

(8) Filed as an exhibit to our Quarterly Report on Form 10-QSB (File No. 333-05188-A), as filed with the Securities and Exchange Commission on November 14, 2001.

(9) Filed as an exhibit to our Annual Report on Form 10-KSB (File No. 333-05188-A), as filed with the Securities and Exchange Commission on June 29, 2001.

(10) Filed as an exhibit to our Quarterly Report on Form 10-QSB (File No. 333-05188-A), as filed with the Securities and Exchange Commission on February 13, 2002.

(11) Confidential portions of this exhibit have been omitted and filed separately with the Commission pursuant to a request for confidential treatment.

(12) Filed as an exhibit to our Annual Report on Form 10-KSB (File No. 333-05188-A) as filed with the Securities and Exchange Commission on July 1, 2002.

- (13) Filed as an exhibit to our Current Report on Form 8-K (File No. 333-05188-A), as filed with the Securities and Exchange Commission on October 11, 2002.
- (14) Filed as an exhibit to our Quarterly Report on Form 10-QSB (File No. 333-05188-A), as filed with the Securities and Exchange Commission on October 11, 2002.
- (15) Filed as an exhibit to our Current Report on Form 8-K (File No. 333-05188-A), as filed with the Securities and Exchange Commission on December 11, 2002.
- (16) Filed as an exhibit to our Current Report on Form 8-K (File No. 333-05188-A), as filed with the Securities and Exchange Commission on December 17, 2002.
- (17) Filed as an exhibit to our Current Report on Form 8-K (File No. 333-05188-A), as filed with the Securities and Exchange Commission on December 24, 2002.
- (18) Filed as an exhibit to our Quarterly Report on Form 10-QSB (File No. 333-05188-A), as filed with the Securities and Exchange Commission on February 12, 2003.
- (19) Filed as an exhibit to our Current Report on Form 8-K (File No. 333-05188-A), as filed with the Securities and Exchange Commission on April 15, 2003.
- (20) Filed as an exhibit to our Current Report on Form 8-K (File No. 333-05188-A), as filed with the Securities and Exchange Commission on March 3, 2003.
- (21) Filed as an exhibit to our Quarterly Report on Form 10-KSB (File No. 333-05188-A), as filed with the Securities and Exchange Commission on June 30, 2003.
- (22) Filed as an exhibit to our Quarterly Report on Form 10-QSB (File No. 333-05188-A), as filed with the Securities and Exchange Commission on August 14, 2003.
- (23) Filed as an exhibit to our Current Report on Form 8-K (File No. 333-05188-A), as filed with the Securities and Exchange Commission on October 14, 2003.

(b) Reports on Form 8-K.

(i) On October 14, 2003, we filed a Current Report on Form 8-K to report the change in control pursuant to which Hispanic Telecommunications Holding S.A., a Luxembourg company, became our major shareholder, holding approximately 70% of our outstanding common stock as of September 30, 2003.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees to Grant Thornton LLP

The following table shows the fees that we paid for the audit and other services provided by Grant Thornton LLP for Fiscal Years 2004 and Fiscal Year 2003.

		Fiscal Year 2004	Fiscal Year 2003
Audit Fees	\$	128,546 \$	137,281
Audit-Related Fees		8,549	22,935
Tax Fees		100,564	59,095
All Other Fees		-0-	-0-
Total	\$	237,659 \$	219,311

Audit Fees

This category includes the audit of our annual financial statements, review of financial statements included in our Form 10-QSB Quarterly Reports and services that are normally provided by the independent auditors in connection with engagements for those fiscal years. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements.

Audit-Related Fees

This category consists of assurance and related services by the independent auditors that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under "Audit Fees." The services for the fees disclosed under this category include consultation regarding our correspondence with the SEC and other accounting consulting.

Tax Fees

This category consists of professional services rendered by Grant Thornton LLP for tax compliance and tax advice. The services for the fees disclosed under this category include tax return preparation and technical tax advice.

All Other Fees

This category consists of fees for other miscellaneous items.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHONE1GLOBALWIDE, INC.
By: /s/ Dario Echeverry
Dario Echeverry, President, Chief
(Principal) Executive Officer

<u>/s/ Louis Giordano</u> Louis Giordano	Chairman of the Board	June 29, 2004
<u>/s/ Dario Echeverry</u> Dario Echeverry	President, Chief (Principal) Executive Officer and Director	June 29, 2004
<u>/s/ Syed Naqvi</u> Syed Naqvi	Chief (Principal) Financial Officer	June 29, 2004
<u>/s/ Dilowe Barker</u> Dilowe Barker	Chief Operating Officer	June 29, 2004
<u>/s/ Federico Fuentes</u> Federico Fuentes	Chief Technology Officer	June 29, 2004
<u>/s/ Michael Spritzer</u> Michael Spritzer	Director	June 29, 2004

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Exhibit 10.62

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") dated April 30, 2004, by and between PHONE1GLOBALWIDE, INC., a Delaware corporation with an address at 100 North Biscayne Blvd., Suite 2500, Miami, Florida 33132 (the "Company"), and Louis Giordano with an address at 739 Crandon Blvd, Unit PH2, Key Biscayne FL 33149 (the "Executive"). The Company and the Executive are sometime individually referred to as a "Party" and collectively as the "Parties".

WITNESSETH:

WHEREAS, the Company is in the business of providing pay phone telecommunications services to domestic and international markets (the "Business") and the Company desires to induce the Executive to enter into the employment of the Company for the period provided in this Agreement in accordance with the terms and conditions set forth below; and

WHEREAS, the Company and the Executive intend for the Executive to utilize his professional experience to assist the Company to implement its financial and commercial business plan; and

WHEREAS, the Executive wishes to be engaged and employed by the Company and the Company wishes to engage and employ the Executive, on the terms provided herein.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and accepted, the parties hereto agree as follows:

1. Recitals. The above recitals are true, correct and incorporated herein by reference.

2. Employment.

a. Engagement of the Executive. The Company agrees to employ the Executive and the Executive accepts employment as Executive Director, Corporate Development of the Company.

b. Employment Period. The Company shall employ the Executive and the Executive shall be employed by the Company, on the terms and conditions hereinafter set forth, for a period commencing as of April 30, 2004 (the "Effective Date") and ending on the first anniversary of the Effective Date. Subject to the provisions of Section 4 of this Agreement, the period of employment shall be automatically extended for successive one-year terms of employment, unless either the Company or the Executive notifies the other in writing at least forty five (45) days prior to the end of the then current term that it or he does not intend to renew such employment, in which case such employment will expire at

the end of the then current term. All references herein to the "Employment Period" shall refer to both the initial term and any such successive renewal term.

2. **Duties and Powers.** During the Employment Period, the Executive will serve in the capacity described above and will have such responsibilities, duties and authorities and will render such services of an executive and administrative character reasonably consistent with his title as shall be reasonably directed by the Board of Directors of the Company (the "Board"), all in accordance with the terms and conditions of this Agreement and the strategic plans and operating and capital budgets of the Company as developed and approved by the Board. The Executive shall devote the Executive's best efforts, energies and abilities and the Executive's full business time, skill and attention to the business and affairs of the Company and such of its affiliates as are specified by the Board. The Executive shall perform the duties and carry out the responsibilities assigned to the Executive to the best of the Executive's ability, in a diligent, trustworthy, businesslike and efficient manner for the purpose of advancing the business of the Company and its affiliates and shall adhere to any and all of the employment policies of the Company. The Company acknowledges that the Executive currently serves as a member of the Board of Directors of companies other than that of the Company, provided that those companies do not compete in the Business with the Company. The Executive agrees that during any given month, such activities will not consume more than two business days. Nothing in this Section 2 shall be deemed to prohibit the Executive from making Permitted Investments (as defined in Section 6.b. below) or attending to such charitable and/or civic activities as are deemed appropriate by the Executive; provided that such activities shall not detract from the Executive's duties and obligations under this Agreement. The Executive shall report to the Board and will work with any and all Company senior executives on an "as needed basis," as deemed appropriate by the Executive, with respect to activities of a strategic nature, such as corporate development projects, capital raising, and certain business development initiatives.

3. **Compensation and Benefits.** As consideration for the services to be provided by the Executive, the Company shall pay to the Executive, and the Executive agrees to accept for all such services, compensation as follows:

a. **Base Salary.** Commencing on the date hereof and continuing through the balance of the Employment Term, the Company shall pay to the Executive base compensation (the "Salary") at the rate of two hundred and forty thousand dollars (\$240,000) per year. The Salary, and all other compensation payable hereunder, shall be paid in accordance with the Company's normal payroll policies, and shall be subject to all applicable withholding taxes and any other amounts required by law to be withheld. The Executive shall be entitled to yearly increases in Salary, from time-to-time, as determined by the Board, equivalent in percentage to the percentage increase in salary provided to the Company's Chief Executive Officer and/or Chief Operating Officer, whichever is greater. The Executive shall also be entitled to receive such other salary increases as may be determined by the Board.

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b. **Grant of Options.** The Company shall grant to the Executive, as of April 30, 2004 (the "Options Date"), non-qualified stock options ("Options") to purchase up to 1,200,000 shares of Company common stock, par value \$.001 ("Common Stock") at an exercise price per share equal to the closing price of the shares of common stock of the Company on the Options Date pursuant to the Company 2000 Stock Incentive Plan ("Plan"). The Company has provided the Executive with a copy of the Plan and the Executive acknowledges that the Executive has reviewed the Plan, is familiar with the terms and conditions of the Plan and has had the opportunity to ask questions about the Plan. The Options shall vest on the Options Date and the exercise period for the Options granted pursuant to this Section 3 b. shall be for a period of five (5) years from the date of grant, which is the Option Date. If (but without any obligation to do so) the Company proposes to register any of its stock or other securities under the Securities Act of 1933, as amended (except with respect to the filing of a registration statement on Form S-4 or similar form) in connection with the public offering of such securities solely for cash, the Company shall, at such time, promptly give to the Executive written notice of such registration. Upon the written request of the Executive given within thirty (30) days after mailing of such notice by the Company in accordance with Section 16 hereof, the Company shall, subject to the underwriting requirements, use its best efforts to cause to be registered under the Securities Act of 1933, as amended all of the Options that the Executive has requested to be registered. The Company shall have no obligation to make any offering of its securities, or to complete an offering of its securities that it proposes to make.

c. **Bonus.** The Executive may receive a bonus, if so determined by the Board in its sole discretion. The payment of a bonus in any instance shall not constitute an entitlement to a bonus on any other occasion.

d. **Equity Participation Programs.** The Executive shall be eligible to participate in such option and/or equity participation programs as may be implemented for employees of the Company. Such eligibility shall not constitute an entitlement to a particular award under any such program, nor shall an award on one occasion constitute an entitlement to an award on any other occasion. Notwithstanding the foregoing, the Executive shall be entitled to receive options in an amount at least equal to the number of options granted to the Company's Chief Executive Officer or Chief Operating Officer, whichever is greater.

e. **Benefit Programs.** The Executive will be immediately eligible to participate on substantially the same basis as provided to all of the Company's most highly paid executive officers, as a group, in any life, health, hospitalization, or disability insurance policy or program maintained by the Company, and any 401(k), profit sharing, retirement, or other fringe benefit program maintained by the Company for such officers, in each case in accordance with the terms of such policies, plans and programs.

f. **Vacation.** During the Employment Period, the Company will provide the Executive four (4) weeks vacation per year (prorated for periods of less than a full year); provided that all vacation must be used within the calendar year in which the vacation accrues or it is forfeited.

g. Business Expenses. During the Employment Period, the Company will reimburse the Executive in accordance with Company policy for the Executive's normal out-of-pocket expenses incurred in the course of performing the Executive's duties hereunder. The Executive shall provide the Company with all receipts and documentation supporting such expenses as may reasonably be requested by the Company.

4. Termination by the Company.

a. Right to Terminate. In addition to the termination rights of the Company set forth in Section 2, the Company has the right to terminate the Employment Period (and, consequently, the Executive's employment under this Agreement), by notice to the Executive in writing at any time, (i) for "Cause", or (ii) without Cause for any or no reason, subject to the provisions of Section

5. Any such termination shall be effective upon the date specified in such notice or, if no date is specified, on the date such notice is deemed served pursuant to Section 16 below.

b. Cause Defined. "Cause" as used herein means the occurrence of any of the following events:

(i) the willful failure or gross negligence of the Executive to perform the Executive's duties or comply with reasonable directions of the Board consistent with the Executive's title and duties that continues unremedied for a period of thirty

(30) business days after the Company, by resolution of its Board, has given written notice to the Executive specifying in reasonable detail the Executive's failure to perform such duties or comply with such directions;

(ii) the Executive's conviction of (A) a felony, (B) criminal dishonesty or (C) any crime involving moral turpitude;

(iii) [the occurrence of any event applicable to the Executive and set forth in Item 401(d)(1) through (4) or Item 401(f) of Regulation S-K, if then applicable to the Company of Regulation S-B, or other rule of similar applicability promulgated by the Securities and Exchange Commission;

(iv) a material breach by the Executive of any of the provisions of Section 6 or 7 of this Agreement; or

(v) a material breach by the Executive of any of the terms or conditions of this Agreement (other than with respect to any provisions of Sections 6 or 7 of this Agreement) that continues unremedied for a period of thirty (30) business days after the Company, by resolution of its Board, has given written notice to the Executive specifying in reasonable detail the Executive's breach of this Agreement.

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c. Death and Disability. Except as otherwise provided herein, this Agreement and the obligations of the Company hereunder will terminate upon the death or, at the Company's option, the disability of the Executive. For purposes of this Section 4.c., "disability" shall mean that for a period of ninety (90) consecutive days or four (4) months in any 12-month period the Executive fails to substantially fulfill the duties set forth in Section 2 or hereafter assigned to him because of physical, mental or emotional incapacity resulting from injury, sickness or disease, as determined by an independent physician (whose independence shall not be negated by reason of the payment of a reasonable fee for his or her services) selected by the Company.

5. Compensation Following Termination.

a. If the Employment Period or this Agreement is terminated (i) by the Company for Cause, (ii) pursuant to the provisions of Section 2, then the Company shall have no further obligations hereunder or otherwise with respect to the Executive's employment from and after the effective date of termination (except payment of the Salary, bonus if any, and benefits described in Section 3 herein, in each case which have accrued through the effective date of termination or expiration), and the Company shall continue to have all other rights available, and Executive shall continue to have all obligations hereunder, including without limitation, all rights under any provisions of Sections 6 and 7 at law or in equity.

b. If the Employment Period or this Agreement is terminated by the Company due to the disability of the Executive, as defined in Section 4.c., the Executive shall be entitled to receive all Salary and other compensation earned but unpaid through the date of termination, plus such amount(s), if any, as may be payable to the Executive pursuant to any disability insurance maintained by the Company.

c. If the Employment Period or this Agreement is terminated by the Company due to the death of the Executive, the Executive's estate shall be entitled to receive all Salary and other compensation earned but unpaid through the date of termination.

d. Provided that the Executive continues to comply with each of the provisions of Sections 6 and 7 of this Agreement during all the applicable periods, if the Employment Period is terminated by the (i) Company without Cause as described in Section 4.a.(ii) hereof or (ii) the Executive for "Good Reason", as hereinafter defined the Executive shall be entitled to receive as severance pay the greater of (i) the Executive's Salary hereunder for the period of time which would have been remaining in the initial Employment Period or any renewal period, as the case may be, or (ii) six months' Salary, in each case payable in one lump sum within 30 days following termination.

e. For purposes hereof, "Good Reason" means the material reduction in, or the assignment of duties to the Executive which would be materially inconsistent with, the Executive's responsibilities, duties and authorities described in Section 2.c. (other than as a result of the Executive's failure to perform the Executive's duties and responsibilities in accordance with this Agreement), which continues unremedied for a period of

twenty (20) business days after the Executive has given written notice to the Company specifying in reasonable detail the relevant acts or omissions. It is expressly understood and agreed that unless the Executive provides the written notice described in the immediately preceding sentence within twenty (20) business days after the Executive knows or has reason to know of the occurrence of any act or omission of the type described in this Section 5.e., the Executive shall be deemed to have consented thereto and such particular act or omission shall no longer constitute or be capable of constituting Good Reason for purposes of this Agreement.

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f. Provided that the Executive continues to comply with each of the provisions of Sections 6 and 7 of this Agreement during all the applicable periods, if before the first anniversary of the date of this Agreement the Company elects not to renew the employment of the Executive, the Executive shall be entitled to receive as severance pay six months' Salary, payable in one lump sum within 30 days following termination.

g. Provided that the Executive continues to comply with each of the provisions of Sections 6 and 7 of this Agreement during all the applicable periods, if the Employment Period is terminated by the Executive or otherwise upon a Change of Control (as hereinafter defined) of the Company, the Executive shall be entitled to receive from the Company as severance an amount equal to the greater of (i) the Executive's Salary for the period of time which would have been remaining in the initial Employment Period or any renewal period, as the case may be, or (ii) six months' Salary, in each case payable in one lump sum within 30 days following termination.

h. For purposes of the preceding subsection, a "Change in Control" shall mean the occurrence of one or more of the following events:

(i) a change in identity of a majority of members of the Company's Board from those individuals constituting the Board on the date set forth in the Preamble to this Agreement (without including the Executive for purposes of this calculation);

(ii) the acquisition of fifty (50) percent or more of the outstanding voting securities of the Company, where the acquirer(s) own(s) beneficially less than fifteen (15) percent of the outstanding voting securities of the Company as of the date set forth in the Preamble to this Agreement;

(iii) the sale of all or substantially all of the Company's assets, including sale of more than 50% of the stock or all or substantially all of the assets of Phone1, Inc., or Globaltron Communication Corporation, the Company's technology or Phone1 brand name other than in a "form over substance" reorganization;

(iv) a merger, share exchange or similar business combination where the Company is not the surviving entity to such combination, other than in a "form over substance" reorganization.

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For purposes hereof, a Change in Control shall be deemed to have occurred on the effective date of the event described in (i) through (iv) of this subsection g.

Provided that the Executive continues to comply with each of the provisions of Sections 6 and 7 of this Agreement during all the applicable periods, if the Employment Period is terminated in connection with a Change in Control, as defined in Section 5.g., after which the Company is not the surviving entity, then the Company shall provide the Executive with not less than 30 days prior written notice of the effective date of the event and, at the option of the Executive (and in addition to any rights the Executive may have hereunder) (i) the Executive may sell the option to the Company at a price equal to the fair market value (net of the exercise price of the option) of the underlying shares of common stock as of the trading day immediately prior to the effective date of the event, or (ii) the Executive may elect to have the options treated in the manner that all other outstanding options are treated under the agreement governing the subject event.

6. Restrictive Covenants.

a. The Executive's Acknowledgment. The Executive agrees and acknowledges that in order to assure that the Company and its affiliates will retain their respective value and that of the business of the Company and each of its affiliates, it is necessary that Executive undertake not to utilize the special knowledge of the Business the Executive has acquired or may acquire and the relationships with their customers, suppliers and employees to compete with the Company and its affiliates. The Executive further acknowledges that:

(i) the Executive is one of a limited number of persons who will develop the business of the Company and its affiliates;

(ii) the Executive will occupy a position of trust and confidence with the Company and its affiliates during the Executive's employment under this Agreement, the Executive has and will continue to become familiar with the proprietary and confidential information of the Company and its affiliates;

(iii) the agreements and covenants contained in this Section 6 are essential to protect the Company, its affiliates and the goodwill of the Business and are an express condition precedent to the willingness of the Company to sign this Agreement;

(iv) the Company and its affiliates would be irreparably damaged if the Executive were to provide services to any person or entity in violation of the provisions of this Agreement;

(v) the Company operates its Business on an international basis and the Company would be irreparably damaged if the Executive were to

provide services in the Business any where in the world;

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(vi) the scope and duration of the provisions of this Section 6, and of Section 7 are reasonably designed to protect a protectable interest of the Company and its affiliates and are not excessive in light of the circumstances; and

(vii) the Executive has a means to support the Executive and the Executive's dependents, if any, other than engaging in the activities prohibited by this Section 6.

b. Non-Compete. The Executive hereby agrees that during the Term of this Agreement, except on behalf of the Company and its affiliates in accordance with this Agreement, the Executive shall not, directly or indirectly, as employee, agent, consultant, stockholder, director, partner or in any other individual or representative capacity, own, operate, manage, control, engage in, invest in or participate in any manner in, act as a consultant or advisor to, render services for (alone or in association with any person, firm, corporation or entity), or otherwise assist any person or entity that engages in or owns, invests in, operates, manages or controls any venture or enterprise that directly or indirectly engages or proposes to engage in the Business anywhere in which the Company operates (collectively the "Territory"); provided however, that nothing contained herein shall be construed to prevent the Executive from

(i) investing in stock or other securities of any public or private enterprise provided that such investment does not require active participation by the Executive and such enterprise does not engage in any activity competitive with the business now or hereafter conducted by the Company ("Permitted Investments"), or (ii) attending to such charitable and/or civic activities as are deemed appropriate by the Executive; provided that such activities shall not detract from the Executive's duties and obligations under this Agreement.

c. Non-Solicitation. Without limiting the generality of the provisions of Section 6.b. above, the Executive hereby agrees that for a period of six months after the Termination Date, except on behalf of the Company and its affiliates in accordance with this Agreement, the Executive will not, directly or indirectly, as employee, agent, consultant, principal or otherwise, (A) solicit any Business from or in any way transact or seek to transact any Business with or otherwise seek to influence or alter the relationship between the Company or any of its affiliates with any person or entity to whom the Company or any of its affiliates provided Business related services (I) at any time during the one year period preceding the Termination Date or (II) if there has been no Termination Date, at any time during the Employment Period or (B) solicit for employment or other services or otherwise seek to influence or alter the relationship between the Company or any of its affiliates of any person who is or was an employee of the Company or any of its affiliates (I) at any time during the one year period preceding the Termination Date or (II) if there has been no Termination Date, at any time during the Employment Period.

d. Blue-Pencil. If any court of competent jurisdiction shall at any time deem the term of this Agreement or any particular Restrictive Covenant too lengthy or the Territory too extensive, the other provisions of this Section 6 shall nevertheless stand, the period of restriction shall be deemed to be the longest period permissible by law under the circumstances and the Territory shall be deemed to comprise the largest territory permissible by law under the circumstances. The court in each case shall reduce the period of restriction and/or Territory to permissible duration or size.

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7. Treatment and Ownership of Confidential Information.

a. Confidentiality. The parties hereto acknowledge that the Executive shall or may be making use of, acquiring and adding to Confidential Information (as that term is defined in subparagraph (b) below). The Executive covenants and agrees that during the Employment Period and at all times thereafter he shall not, except with the prior written consent of the Company, or except if he is acting during the Employment Period solely for the benefit of the Company or any of the affiliates in connection with the Company's or any of the affiliates' business and in accordance with the Company's business practices and policies, at any time, disclose, divulge, report, transfer or use, for any purposes whatsoever, any such Confidential Information, including Confidential Information obtained, used, acquired or added by, or disclosed to, the Executive prior to the date of this Agreement, provided that such Confidential Information has not subsequently entered the public domain. The Executive further acknowledges that the Confidential Information constitutes valuable, special and unique assets of the Company.

b. Confidential Information Defined. For purposes of this Agreement, the term "Confidential Information" shall mean all of the following materials and information which the Executive receives, conceives or develops or has received, conceived or developed, in whole or in part, in connection with the Executive's affiliation with the Company. Excluded from Confidential Information is any previously confidential information which has subsequently become public information.:

(i) The contents of any manuals or other written materials of the Company or any of its affiliates;

(ii) The names of actual or prospective clients, customers, suppliers, or persons, firms, lenders, or persons, firms, corporations, or other entities with whom the Executive may have or has had contact on behalf of the Company or any of its affiliates or to whom any other employee of the Company or any of its affiliates has provided goods or services at any time;

(iii) The terms of various agreements between the Company or any of its affiliates, and any third parties;

(iv) The contents of actual or prospective customer or client records, which customer and client lists and records shall not only mean one or more of the names and addresses of the customers of the Company or any of its affiliates, but shall also encompass any and all information

whatsoever regarding them;

(v) Any data or database, or other information compiled by the Company or any of its affiliates, including, but without limitation, information concerning the Company or any of its affiliates, or any business in which the Company or any of its affiliates is engaged or contemplates becoming engaged, any company which the Company or any of its affiliates engages in business, any customer, prospective customer, or other person, firm or corporation to whom or which the Company or any of its affiliates has provided goods or services or to whom or which any employee of the Company or any of its affiliates has provided goods or services on behalf of the Company or any of its affiliates, or any compilation, analysis, evaluation or report concerning or deriving from any data or database, or any other information;

(vi) All policies, procedures, strategies and techniques regarding training, marketing and sales, either oral or written, and assorted lists containing information pertaining to lenders, customers and/or prospective customers; and

(vii) Any other information, data, training methods, formulae, know-how, show-how, source code, subject code, copyright, trademarks, patents or knowledge of a confidential or proprietary nature observed, received, conceived or developed by the Executive in connection with the Executive's affiliation with the Company.

c. Exclusions. Excluded from the Confidential Information and therefore not subject to the provisions of this Agreement shall be any information which
(i) is or becomes generally available to the public through no breach or fault of the Executive; provided that this exception shall apply only from and after the date the information became generally available to the public, and (ii) the Executive can establish was in the Executive's possession at the time of disclosure and was not previously acquired directly or indirectly from the Company, provided that this exception shall apply only from and after the date that the information is disclosed to the Executive by a third party or was in the Executive's possession. Specific Confidential Information shall not be deemed to be within the foregoing exceptions merely because it is embraced by, or contained or referenced in, more general information in the public domain. Additionally, any combination of features shall not be deemed to be within the foregoing exceptions merely because individual features are in the public domain.

d. Ownership. The Executive covenants and agrees that all right, title and interest in any Confidential Information shall be and shall remain the exclusive property of the Company and its affiliates, as the case may be. The Executive covenants that the Executive has disclosed to the Company all Confidential Information developed in whole or in part by the Executive within the scope of this Agreement and has assigned or will assign to the Company any right, title or interest the Executive may have in such Confidential Information. The Executive covenants that the Executive has turned over to the Company all physical manifestations of the Confidential Information in his possession or under his control. The Executive agrees to promptly disclose to the Company all Confidential Information hereafter developed in whole or in part by the Executive within the scope of this Agreement and to assign to the Company or any of the affiliates, as the Company determines in its sole discretion, any right, title or interest the Executive may have in such Confidential Information.

8. Effect of Termination. If this Agreement or the Employment Period expires or is terminated for any reason, then, notwithstanding such termination, those provisions contained in Sections 6 and 7 hereof shall remain in full force and effect.

9. Remedies. The Executive acknowledges and agrees that the covenants set forth in Section 6 and 7 of this Agreement are reasonable and necessary for the protection of the business interests of the Company and its affiliates, that irreparable injury will result to the Company and its affiliates if the Executive breaches any of the terms of Sections 6 or 7, and that in the event of the Executive's actual or threatened breach of any provisions of Section 6 or 7, the Company and its affiliates will have no adequate remedy at law. The Executive accordingly agrees that in the event of any actual or threatened breach by the Executive of any of the provisions of Section 6 or 7, the Company and its affiliates shall be entitled to seek injunctive relief, specific performance and other equitable relief, without bond and without the necessity of showing actual monetary damages, subject to hearing as soon thereafter as possible. Nothing contained herein shall be construed as prohibiting the Company and its affiliates from pursuing any other remedies available to them for such breach or threatened breach, including but not limited to the recovery of damages.

10. Indemnification. The Company hereby indemnifies and holds the Executive harmless, to the fullest extent permitted by applicable law, from and against all suits, actions, claims, actions, proceedings, costs and expenses, including reasonable attorneys' fees, arising out of the Executive's performance of his duties to the Company. In addition, the Executive shall be entitled to enter into such Indemnification Agreements as the Company enters into with members of its Board, and to receive benefits, to the extent reasonably available, no less favorable with respect to indemnification than the benefits provided to such Board members.

11. The Executive's Representations and Warranties.

a. The Executive represents and warrants to the Company that:

- (i) he has not been subject to any litigation or administrative proceedings, and
- (ii) he is free of known physical and mental disabilities that would, with or without reasonable accommodations create an undue hardship for the Company or any of its affiliates, impair his performance hereunder and he is fully empowered to enter and perform his obligations under

this Agreement;

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(iii) he is under no restrictive covenants to any person or entity that will be violated by his entering into and performing this Agreement; and

(iv) he is not the subject of any event described in Item 401(d)(1) through (4) of Regulation S-B or Item 401(f) of Regulation S-K, if then applicable to the Company, promulgated by the Securities and Exchange Commission.

b. The Executive shall indemnify the Company on demand for and against any and all judgments, losses, claims, damages, expenses and costs (including without limitation all legal fees and costs, even if incident to appeals) incurred or suffered by the Company as a result of any breach by the Executive of any of these representations and warranties.

12. Binding Effect. Except as herein otherwise provided, this Agreement shall inure to the benefit of and shall be binding upon the parties hereto, their personal representatives, heirs successors and assigns.

13. Severability. If any provision of any of the Agreements is invalid, illegal or unenforceable under any applicable statute or rule of law, it is to that extent to be deemed omitted. The remainder of the Agreement containing the invalid, illegal or unenforceable provision will be valid and enforceable to the maximum extent possible.

14. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Florida, without giving effect to any conflict of law principles.

15. Entire Agreement. This Agreement contains the entire understanding between the parties and this Agreement may not be changed or modified except by an Agreement in writing signed by all the parties hereto.

16. Notice. All notices under the Agreements are to be delivered by (i) depositing the notice in the mail, using registered mail, return receipt requested, addressed to the address set forth in the Agreements for the party or to any other address as the party may designate by providing notice, (ii) facsimile transmission by using the facsimile number set forth in the Agreements for the party or any other facsimile number as the party may designate by providing notice, (iii) overnight delivery service addressed to the address set forth in the Agreements for the party or to any other address as the party may designate by providing notice, or (iv) hand delivery to the individual designated in the relevant Agreement or to any other individual as the party may designate by providing notice. The notice will be deemed delivered (i) if by registered mail, four days after the notice's deposit in the mail, (ii) if by telecopy, on the date the notice is delivered, (iii) if by overnight delivery service, on the day of delivery, and (iv) if by hand delivery, on the date of hand delivery. The addresses for such communications shall be as follows:

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If to the Executive:

739 Crandon Blvd, Unit PH2,
Key Biscayne FL 33149

Telephone:

Telefax:

If to the Company:

Phone1Globalwide, Inc.

100 N. Biscayne Boulevard

Suite 2500

Miami, Florida 33132

Attn: Dario Echeverry, President Telephone: (305) 371-3300 Telefax: (305) 371-4686

Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

17. Venue. The Parties acknowledge that a substantial portion of negotiations and anticipated performance and execution of this Agreement occurred or shall occur in the City and County of Miami Dade, Florida, and that, therefore, each of the Parties irrevocably and unconditionally:

(i) agrees that any suit, action or legal proceeding arising out of or relating to this Agreement may be brought in the courts of record of the State of Florida in the City of Miami and County of Miami-Dade or the court of the Southern United States of Florida, Southern Division;

(ii) consents to the jurisdiction of each such court in any suit, action or proceeding;

(iii) waives any objection which it may have to the laying of venue of any such suit, action or proceeding in any of such courts; and

(iv) agrees that service of any court paper may be effected on such Party by mail, as provided in this Agreement, or in such other manner as may be provided under applicable laws or court rules in said state.

18. Prevailing Parties. If any legal action or other proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any provision of this Agreement, the successful or prevailing party or parties shall be entitled to recover reasonable attorneys' fees, sales and use taxes, court costs and all expenses even if not taxable as court costs (including, without limitation, all such fees, taxes, costs and expenses incident to arbitration, appellate, bankruptcy and post-judgment proceedings), incurred in that action or proceeding, in addition to any other relief to which such party or parties may be entitled.

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19. Expenses. Each party shall bear their own respective expenses incurred in connection with this Agreement and with all obligations required to be performed by each of them under this Agreement.

THE EXECUTIVE ACKNOWLEDGES THAT THE EXECUTIVE HAS READ THIS AGREEMENT, UNDERSTANDS EACH OF ITS TERMS AND CONDITIONS INCLUDING ANY TAX OR OTHER CONSEQUENCES, AND HAS THE OPPORTUNITY TO CONSULT INDEPENDENT LEGAL COUNSEL OF THE EXECUTIVE'S CHOICE PRIOR TO EXECUTING THIS AGREEMENT.

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IN WITNESS WHEREOF, this Agreement has been duly signed by the Executive and on behalf of the Company as of the day and year first above written.

THE COMPANY:

PHONE1GLOBALWIDE, INC.

By: _____

Dario Echeverry
Chief Executive Officer

THE EXECUTIVE:

CERTIFICATE OF CHIEF EXECUTIVE OFFICER

I, Dario Echeverry, Chief Executive Officer of Phone1Globalwide, Inc. ("Registrant"), certify that:

1. I have reviewed this annual report on Form 10-KSB of Phone1Globalwide, Inc. ("Registrant");
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report; and
4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record,

process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

c. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

5. The Registrant's other certifying officers and I have indicated in this annual report whether or not there are significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June __, 2004

/s/ Dario Echeverry

Name: Dario Echeverry
Title: Chief Executive Officer

CERTIFICATE OF CHIEF FINANCIAL OFFICER

I, Syed Naqvi, Chief Financial Officer of Phone1Globalwide, Inc. ("Registrant"), certify that:

1. I have reviewed this annual report on Form 10-KSB of Phone1Globalwide, Inc. ("Registrant");
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report; and
4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The Registrant's other certifying officers and I have indicated in this annual report whether or not there are significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June __, 2004

/s/ Syed Naqvi

Name: Syed Naqvi
Title: Chief Financial Officer

End of Filing

ATTACHMENT III

Proposed Tariff

TITLE PAGE

**SOUTH DAKOTA INTEREXCHANGE TELECOMMUNICATIONS TARIFF
OF
PHONE1, INC.**

This tariff is filed in accordance with the Rules and Regulations of the South Dakota Public Utilities Commission. All services contained in this tariff are competitive.

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service and facilities for intrastate, interexchange telecommunications services provided by Phone1, Inc. within the State of South Dakota. This tariff is on file with the Commission. Copies may be inspected during normal business hours at the Company's principal place of business at 100 No. Biscayne Boulevard, 25th Floor, Miami, Florida 33132.

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Effective:

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Miami, FL 33132

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CHECK SHEET

Pages of this tariff, as indicated below, are effective as of the date shown at the bottom of the respective pages. Original and revised pages, as named below, comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this page.

PAGE	REVISION		PAGE	REVISION	
1	Original	*	26	Original	*
2	Original	*	27	Original	*
3	Original	*	28	Original	*
4	Original	*	29	Original	*
5	Original	*	30	Original	*
6	Original	*	31	Original	*
7	Original	*	32	Original	*
8	Original	*	33	Original	*
9	Original	*	34	Original	*
10	Original	*	35	Original	*
11	Original	*	36	Original	*
12	Original	*	37	Original	*
13	Original	*	38	Original	*
14	Original	*	39	Original	*
15	Original	*	40	Original	*
16	Original	*	41	Original	*
17	Original	*	42	Original	*
18	Original	*	43	Original	*
19	Original	*	44	Original	*
20	Original	*	45	Original	*
21	Original	*	46	Original	*
22	Original	*			
23	Original	*			
24	Original	*			
25	Original	*			

* - indicates those pages included with this filing

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EXPLANATION OF SYMBOLS

The following symbols are used for the purposes indicated below:

- (C) - Changed Regulation.
- (D) - Delete or discontinue.
- (I) - Increase in a rate.
- (M) - Moved from another tariff location.
- (N) - New
- (R) - Reduction in a rate.
- (T) - Change in text but no change in rate or regulation.

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TARIFF FORMAT

- A. Page Numbering** - Page numbers appear in the upper right corner of the page. Pages are numbered sequentially, however, new pages are occasionally added to the tariff. When a new page is added between pages already in effect, a decimal is added. For example, a new page added between pages 14 and 15 would be 14.1.
- B. Page Revision Numbers** - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current page version on file with the Commission. For example, the 4th Revised Page 14 cancels the 3rd Revised Page 14. Consult the Check Sheet for the page currently in effect.
- C. Paragraph Numbering Sequence** - There are six 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).
- D. Check Sheets** - When a tariff filing is made with the Commission, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists the pages contained in the tariff, with a cross reference to the current revision number. When new pages are added, the Check Sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this page if these are the only changes made to it (i.e., the format, etc. remain the same, just revised revision levels on some pages). The tariff user should refer to the latest Check Sheet to find out if a particular page is the most current on file with the Commission.

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SECTION 1 - DEFINITIONS

Access Line - A local channel for voice, data, or video communications which connects the Customer location to a location of the Company or its underlying carrier or service provider.

Account - The Customer who has agreed, orally or in writing, to honor the terms of service established by the Company. An Account may have more than one service or telephone number and/or telephone numbers billed to the same Customer address. An Account may include multiple locations for the same Customer.

Account Code - A numerical code, assigned to the Customer, to enable the Company to complete calls as authorized by the Customer. Multiple Account Codes may be assigned to the Customer.

Aggregator - Any person or other legal entity that may be a Customer and, in the ordinary course of its operations, makes telephones available to the public or to transient users of its premises, for telephone calls using a provider of operator services.

Authorization Code - A pre-defined series of numbers to be dialed by the Customer upon access to the Company's system to identify the caller and validate the caller's authorization to use the services provided and to identify the Customer for billing purposes. The Customer is responsible for charges incurred through the use of his or her assigned Authorization Code. An example of an Authorization Code is a calling card account number and personal identification number.

Billed Party - The person or entity responsible for payment of the Company's Service(s): For a Direct Dialed Call, the person or entity responsible for payment is the Customer responsible for payment for local telephone service at the telephone used to originate an intrastate call. In the case of a Travel Card call or other credit card call (herein collectively the ("Card")), the person or entity responsible for payment is the Customer of record of the Travel Card or other valid and acceptable Card used. In the case of a collect or third party call, the person or entity responsible for payment is the person responsible for payment for local telephone service at the telephone number that agrees to accept charges for the call. In the case of a Room Charge Call, the entity responsible for payment is the Aggregator controlling the telephone used to originate the intrastate call. In all Operator Assisted calls not involving Cards, third party calls, collect calls or Room Charge calls, the person or entity responsible for payment is the Customer responsible for payment for local telephone services at the telephone used to originate the intrastate call.

Calling Card Call - A Calling Card Call is an operator assisted or automated call placed by a Customer where the call charges are billed to a local telephone company issued authorization code rather than to the originating or terminating telephone number.

Casual Calling - A service whereby the Customer accesses the Company's service by dialing a Company-provided access code prior to placing the call, such as 101XXXX + 1 + area code + destination number.

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SECTION 1 - DEFINITIONS, (CONT'D.)

Collect Call - A billing arrangement by which the charges for a call may be billed to the called party, provided the called party agrees to accept the charges.

Commission - The South Dakota Public Utilities Commission.

Company - Phone1, Inc., unless stated otherwise.

Consumer - A person who is not a Customer initiating any telephone calls using operator services.

Customer - Any person, firm, partnership, corporation or other entity which subscribes to or uses service under the terms and conditions of this tariff. The Customer is responsible for the payment of charges for service offered by the Company which are subscribed to or used by the Customer. The Customer is also responsible for payment of charges for a third person's use of service to which the Customer subscribes.

Equal Access - The ability of the Company to serve Customers on a presubscribed basis rather than through the use of dial access codes such as, 101XXXX.

Initial And Additional Period - The Initial Period denotes the interval of time allowed for a service at the rate specified for a connection between given service points. The Additional Period denotes the interval of time used for measuring and charging for time in excess of the Initial Period.

LATA - Local access and transport area. A geographic area established by the US District Court for the District of Columbia in Civil Action No. 82-0192.

LEC - Local Exchange Company

Operator Service Charge - A non-measured (fixed) charge that is added to a measured charge in calculating the total tariff charges due for a completed Operator Assisted Call.

Operator Services - Any telecommunication service that includes, as a component, any automatic or live assistance to a Customer or its Authorized User to arrange for billing or completion, or both, of an intrastate interLATA telephone call through a method other than:

- (i) automatic completion with billing to the telephone form which the call originated; or
- (ii) completion through an access code used by an Authorized User, with billing to an account previously established with the carrier by the Authorized User.

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SECTION 1 - DEFINITIONS, (CONT'D.)

Operator Service Provider ("OSP") - Any person or entity that provides operator services by using either live or automated operator functions. When more than one entity is involved in processing an operator service call, the party billing the calls shall be considered the OSP. However, subscribers to customer-owned pay telephone service shall not be deemed to be an OSP.

Operator Station Call - A service whereby the Customer places a non-Person to Person call with the assistance of an operator (live or automated).

Person to Person Call - A service whereby the person originating the call specifies a particular person to be reached, or a particular station, room number, department, or office to be reached.

Phone1 - Refers to Phone1, Inc., the issuer of this tariff.

Premises - The physical space designated by the Customer for the termination of the Company's service.

Sub-Minute Rating - Consists of an initial period rated at the appropriate initial period rate. Each increment thereafter is rated at the appropriate additional period rate which is less than one full minute.

Switched Access - A method for reaching the Company through the local service provider's switched network whereby the Customer uses standard and/or ISDN local lines.

Terminal Equipment - Telecommunications devices, apparatus and associated wiring on the Premises of the Customer.

Third Party Calls - An Operator Assisted call for which charges are billed not to the originating number, but to a third party telephone number which is neither the originating nor the terminating telephone number.

Travel Card Call - A service whereby the Customer or Authorized User dials all of the digits necessary to route and bill a call placed from a location other than his/her residence or normal place of business. Service is accessed via a "1-800" or other toll-free access code dialing sequence.

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SECTION 2 - TERMS AND CONDITIONS

2.1 Undertaking of the Company

The Company's services and facilities are furnished for communications originating and terminating within the State of South Dakota under terms of this tariff.

The Company undertakes to provide the services offered in this tariff in accordance with the terms and conditions set forth under this tariff. 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 the Company network. The Customer shall be responsible for all charges due for such service arrangement.

The Company's services and facilities are provided on a monthly basis unless otherwise specified, and are available twenty-four hours per day, seven days per week.

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)**2.2 Use**

- 2.2.1** Services provided under this tariff may be used by the Customer for any lawful telecommunications purpose for which the service is technically suited.
- 2.2.2** The services the Company offers shall not be used for any unlawful purpose or for any use as to which the Customer has not obtained all required governmental approvals, authorizations, licenses, consents and permits.
- 2.2.3** A Customer may transmit or receive information or signals via the facilities of the Company. The Company's services are designed primarily for the transmission of voice-grade telephonic signals, except as otherwise stated in this tariff. A user may transmit any form of signal that is compatible with the Company's equipment, but the Company does not guarantee that its services will be suitable for purposes other than voice-grade telephonic communication except as specifically stated in this tariff.

2.3 Assignment or Transfer

All service provided under this tariff is directly or indirectly controlled by the Company and neither the Customer nor its Authorized Users may transfer or assign the use of service without the express prior written consent of the Company. Such transfer or assignment shall only apply where there is no interruption of the use or location of service. All terms and conditions contained in this tariff shall apply to all such permitted transferees or assignees, as well as all conditions of service.

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)**2.4 Limitations of the Company**

- 2.4.1** Service is offered subject to the availability of the necessary facilities and equipment, or both facilities and equipment, and subject to the provisions of this tariff.
- 2.4.2** The Company reserves the right to discontinue or limit service when necessitated by conditions beyond its control, or when the Customer is using service in violation of provisions of this tariff, or in violation of the law.
- 2.4.3** The Company does not undertake to transmit messages, but offers the use of its facilities when available, and will not be liable for errors in transmission or for failure to establish connections.
- 2.4.4** All facilities provided under this tariff are directly or indirectly controlled by the Company and the Customer may not transfer or assign the use of service or facilities without the express written consent of the Company. Such transfer or assignment shall only apply where there is no interruption of the use or location of the service or facilities.
- 2.4.5** Prior written permission from the Company is required before any assignment or transfer. All regulations and conditions contained in this tariff shall apply to all such permitted assignees or transferees, as well as all conditions of service.
- 2.4.6** The Company reserves the right to discontinue the offering of service or deny an application for service, with appropriate notice, if a change in regulation materially and negatively impacts the financial viability of the service in the best business judgment of the Company.

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)**2.5 Liabilities of the Company**

- 2.5.1** Except as otherwise stated in this section, the liability of the Company for damages arising out of either: (1) the furnishing of its Services, including but not limited to mistakes, omissions, interruptions, delays, or errors, or other defects, representations, or use of these Services, or (2) the failure to furnish its Services, whether caused by acts or omission, shall be determined by the Commission or a court of competent jurisdiction in accordance with the SDCL 49-13-1 and 49-13-1.1 and any other applicable law.
- 2.5.2** Except as provided in Section 2.3.1 above, the Company shall not be liable to a Customer or third party for any direct, indirect, special, incidental, reliance, consequential, exemplary or punitive damages, including, but not limited to, loss of revenue or profits, for any reason whatsoever, including, but not limited to, any act or omission, failure to perform, delay, interruption, failure to provide any Service or any failure in or breakdown of facilities associated with the Service.
- 2.5.3** The liability of the Company for errors in billing that result in overpayment by the Customer shall be limited to a credit equal to the dollar amount erroneously billed or, in the event that payment has been made and Service has been discontinued, to a refund of the amount erroneously billed. In the event that the Company is adjudged to have committed willful errors in billing, any credit or refund given shall also include interest in accordance with the terms of Section 2.9 of this tariff.

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)**2.5 Liabilities of the Company, (Cont'd.)**

2.5.4 The Company shall not be liable for any claims for loss or damages involving:

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

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Effective:

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Jon Leath, Director - Operator Services / Regulatory
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Miami, FL 33132

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)**2.5 Liabilities of the Company, (Cont'd.)****2.5.4 (cont'd.)**

- F.** Changes in any of the facilities, operations or procedures of the Company that render any equipment, facilities or Services provided by the Customer obsolete, or require modification or alteration of such equipment, facilities or Services, or otherwise affect their use or performance, except where reasonable notice is required by the Company and is not provided to the Customer, in which event the Company's liability is limited as set forth in this tariff;
- G.** Defacement of or damage to Customer premises resulting from the furnishing of Services or equipment on such premises or the installation or removal thereof;
- H.** Injury to property or injury or death to persons, including claims for payments made under Workers' Compensation law or under any plan for employee disability or death benefits, arising out of, or caused by, any act or omission of the Customer, or the construction, installation, maintenance, presence, use or removal of the Customer's facilities or equipment connected, or to be connected to the Company's facilities, unless the injury or death is caused by the Company's willful misconduct or negligence.
- I.** Any intentional, wrongful act of a Company employee when such act is not within the scope of the employee's responsibilities for the Company and/or is not authorized by the Company;
- J.** Any noncompletion of calls due to network busy conditions;
- K.** Any calls not actually attempted to be completed during any period that Service is unavailable.

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)

2.5 Liabilities of the Company, (Cont'd.)

2.5.8 Any claim of whatever nature against the Company shall be deemed conclusively to have been waived unless presented in writing to the Company within one hundred eighty (180) days after the date of the occurrence that gave rise to the claim.

2.5.9 THE COMPANY MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW, STATUTORY OR OTHERWISE, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE, EXCEPT THOSE EXPRESSLY SET FORTH HEREIN.

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)**2.6 Billing and Payment for Service****2.6.1 Responsibility for Charges:**

Charges for installations, service connections, moves, and rearrangements, where applicable, are payable upon demand to the Company or its authorized agent. Billing thereafter will include recurring charges and actual usage as defined in this tariff.

The Customer is responsible for payment of all charges for services and equipment furnished to the Customer for transmission of calls via the Company. In particular and without limitation to the foregoing, the Customer is responsible for any and all cost(s) incurred as the result of:

- (A) any delegation of authority resulting in the use of his or her communications equipment and/or network services which result in the placement of calls via the Company;
- (B) any and all use of the service arrangement provided by the Company, including calls which the Customer did not individually authorize;
- (C) any calls placed by or through the Customer's equipment via any remote access feature(s);
- (D) any and all calls placed to an toll-free (e.g., 800, 888) service number provided to the Customer by the Company.

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)**2.6 Billing and Payment for Service, (Cont'd.)****2.6.2 Payment for Service**

- (A) All charges due by the Customer are payable to the Company or any agent duly authorized to receive such payments. The billing agent may be the Company, a local exchange telephone company, credit card Company, or other billing service. Terms of payment shall be according to the rules and regulations of the agent and subject to the rules of regulatory bodies having jurisdiction. Any objections to billed charges must be promptly reported to the Company or its billing agent. Adjustments to Customers' bills shall be made to the extent that circumstances exist which reasonably indicate that such changes are appropriate.
- (B) Disputes with respect to charges must be presented to the Company within one hundred (120) days from the date the bill in question is issued or such bill will be deemed correct and binding on the Customer.
- (C) Unless otherwise specified below, services provided by the Company are billed in arrears directly to the Customer on a monthly basis.
- (D) Charges for third party calls which are charged to a domestic telephone number will be included on the Billed Party's local exchange telephone company bill pursuant to billing and collection agreements established by Phone1 or its intermediary with the applicable telephone company.
- (E) Charges for credit card calls will be included on the Billed Party's regular monthly statement from the card-issuing company.

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)**2.6 Billing and Payment for Service, (Cont'd.)****2.6.3 Late Payment Fees**

A late payment charge of 1.5% per month shall be due to the Company for any billed amount for which payment has not been received by the Company within fifteen (15) days of the mailing date of the Company's invoice for service or by the due date printed on the invoice, whichever is later, or if any portion of the payment is received by the Company in funds which are not immediately available upon presentment. If the last calendar day for remittance falls on a Sunday, legal holiday or other day when the offices of the Company are closed, the date for acceptance of payments prior to assessment of any late payment fees shall be extended through to the next business day.

2.6.4 Return Check Charge

A return check charge of \$25.00 will be assessed for checks returned for insufficient funds. Any applicable return check charges will be assessed according to the terms and conditions of the billing entity (i.e. local exchange company and/or commercial credit card company) and pursuant to Commission regulations.

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)**2.7 Validation of Credit**

The Company reserves the right to validate the creditworthiness of Customers and billed parties through available verification procedures. Where a Customer's creditworthiness is unacceptable to the Company, Phone1 may refuse to provide service, or otherwise restrict or interrupt service to a Customer.

2.8 Deposits and Advanced Payments**2.8.1 Deposits**

The Company does not collect Customer deposits.

2.8.2 Advance Payments

The Company does not require Customer advance payments for service.

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)**2.9 Taxes and Fees**

- 2.9.1** All state and local taxes (i.e., gross receipts tax, sales tax, municipal utilities tax) are listed as separate line items on the Customer's bill and are not included in the quoted rates and charges set forth in this tariff. To the extent that a municipality, other political subdivision or local agency of government, or Commission imposes upon and collects from the Company a gross receipts tax, occupation tax, license tax, permit fee, franchise fee, or regulatory fee, such taxes and fees shall, insofar as practicable and allowed by law, be billed pro rata to Customers receiving service from the Company within the territorial limits of such municipality, other political subdivision or local agency of government.
- 2.9.2** The Company may adjust its rates and charges or impose additional rates and charges on its Customers in order to recover amounts it is required by governmental or quasi-governmental authorities to collect from or pay to others in support of statutory or regulatory programs. Examples of such programs include, but are not limited to, the Universal Service Fund (USF), the Pre-subscribed Interexchange Carrier Charge (PICC), and compensation to pay telephone service providers for the use of their pay telephones to access the Company's service.

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)**2.10 Terminal Equipment**

The Company's facilities and service may be used with or terminated in terminal equipment or communications systems such as a PBX, key system, single line telephone, or pay telephone. Such terminal equipment shall be furnished and maintained at the expense of the Customer. The Customer is responsible for all costs at his or her premises, including personnel, wiring, electrical power, and the like, incurred in the use of Phone1's service. When such terminal equipment is used, the equipment shall comply with the generally accepted minimum protective criteria standards of the telecommunications industry.

2.11 Interconnection

- 2.11.1** Service furnished by the Company may be interconnected with services or facilities of other authorized communications common carriers and with private systems, subject to technical limitations established by the Company. Service furnished by the Company is not part of a joint undertaking with such other common carriers or systems. The Company does not undertake to provide any special facilities, equipment, or services to enable the Customer to interconnect the facilities or the equipment of the Company with services or facilities of other common carriers or with private systems.
- 2.11.2** Interconnection with the services or facilities of other common carriers shall be under the applicable terms and conditions of this tariff and the other common carrier's tariffs.
- 2.11.3** The Customer shall ensure that the facilities or equipment provided by the Customer are properly interconnected with the facilities or equipment of the Company. If the Customer maintains or operates the interconnected facilities or equipment in a manner which results or may result in harm to the Company's facilities, equipment, personnel, or the quality of service, the Company may, upon written notice, require the use of protective equipment at the Customer's expense. If this written notice fails to eliminate the actual or potential harm, the Company may, upon written notice, terminate the existing service of the Customer.

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)

2.12 Inspection, Testing and Adjustment

- 2.12.1** The Company may, upon reasonable notice, make such tests and inspections as may be necessary to determine whether the terms and conditions of this tariff are being complied with in the installation, operation or maintenance of the Customer's or the Company's facilities or equipment. The Company may interrupt service at any time, without penalty or liability, due to the departure from or reasonable suspicion of the departure from any of these terms and conditions.
- 2.12.2** Upon reasonable notice, the facilities or equipment provided by the Company shall be made available to the Company for such tests and adjustments as may be necessary for their maintenance in a condition satisfactory to the Company. No interruption allowance shall be granted for the time during which such tests and adjustments are made, unless such interruption exceeds twenty-four (24) hours in length and is requested by the Customer.

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)**2.13 Credit Allowances for Interruption of Service**

- 2.13.1** Credit allowances for interruptions of service of more than two (2) hours which are not due to the Company's testing or adjusting, to the negligence of the Customer, or to the failure of channels, equipment and/or communications systems provided by the Customer, are subject to the general liability provisions set forth in this tariff. No credit is issued for outages less than two hours in duration.
- 2.13.2** It shall be the obligation of the Customer to notify the Company immediately of any interruption in service for which a credit allowance is desired by the Customer. Before giving such notice, the Customer shall ascertain that the trouble is not within his or her control, or is not in wiring or equipment, if any furnished by the Customer and connected to the Company's terminal.
- 2.13.3** Interruptions caused by Customer-provided or Company-provided automatic dialing equipment are not deemed an interruption of service as defined herein since the Customer has the option of using a long distance service via LEC access.
- 2.13.4** Cellular (wireless) transmission is subject to interruptions including but not limited to, dropped calls, interrupted calls, unintelligible calls, one way audio and other problems created by factors beyond Phone1's ability to control. Therefore, under no circumstances will Phone1 provide credit or payment of any kind for calls which experience problems related to cellular (wireless) transmissions.
- 2.13.5** For purposes of credit computation every month shall be considered to have seven hundred and twenty (720) hours. For services with a monthly recurring charge, no credit shall be allowed for an interruption of continuous duration of less than two (2) hours. The Customer shall be credited for an interruption of two (2) or more hours at the rate of 1/720th of the monthly charge for the services affected for each hour that the interruption continues. The formula used for computation of credits is as follows:
- $$\text{Credit} = A/720 \times B$$

$$A = \text{outage time in hours (must be 2 or more)}$$

$$B = \text{total monthly recurring charge for affected service.}$$
- 2.13.6** For usage sensitive long distance services, credits will be limited to, at maximum, the price of the Initial Period of the individual call that was interrupted plus any per call charges or surcharges required to reconnect the caller.

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)**2.14 Cancellation by the Customer**

The Customer may have service discontinued upon written or verbal notice to the Company. The Company shall hold the Customer responsible for payment of all bills for service furnished until the cancellation date specified by the Customer or until the date that the written notice is received, whichever is later.

2.14.1 Where the Company permits the Customer to cancel an application for service prior to the start of installation of service or prior to any special construction, no charges will be imposed.

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

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

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)**2.15 Refusal or Discontinuance by the Company**

Service continues to be provided until canceled by the Customer, or until discontinued by the Company as set forth below. The Company may render bills subsequent to the termination of service for charges incurred before termination.

Phone1 may refuse or discontinue service under the following conditions provided that, unless otherwise stated, the Customer shall be given seven (7) days notice to comply with any rule or remedy any deficiency:

- 2.15.1** For noncompliance with or violation of any State, municipal, or Federal law, ordinance or regulation pertaining to telephone service.
- 2.15.2** For noncompliance with or violation of Commission regulation or Phone1's rules and regulations on file with the Commission.
- 2.15.3** Without notice by reason of any order or decision of a court or other government authority having jurisdiction which prohibits Company from furnishing such services.
- 2.15.4** For failure of the Customer to make proper application for service or for use of telephone service for any other property or purpose than that described in the application.
- 2.15.5** Without notice in the event of tampering with the equipment or services owned by Phone1 or its agents.
- 2.15.6** Without notice in the event of Customer use of equipment or services in such a manner as to adversely affect the Company's equipment or the Company's service to others.

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)

2.15 Refusal or Discontinuance by the Company, (Cont'd.)

- 2.15.7** For neglect or refusal to provide reasonable access to Phone1 or its agents for the purpose of inspection and maintenance of equipment owned by Phone1 or its agents.
- 2.15.8** For nonpayment of bills, provided that suspension or termination of service shall not be made without seven (7) days written notice to the Customer.
- 2.15.9** Without notice in the event of any other unauthorized or fraudulent use of service. Whenever service is discontinued for fraudulent use of service, Phone1 may, before restoring service, require the Customer to make, at his or her own expense, all changes in facilities or equipment necessary to eliminate illegal use and to pay an amount reasonably estimated as the loss in revenues resulting from such fraudulent use.
- 2.15.10** For Customer's breach of contract for service between the Company and the Customer.

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)**2.16 Responsibilities of Aggregators**

In addition to the responsibilities of Aggregators in their capacities as Subscribers, Aggregators must also adhere to the following requirements:

2.16.1 Aggregators must post on the telephone instrument, in plain view of Authorized Users:

- (A) The name, address, and toll-free telephone number of the provider of operator services; and
- (B) A written disclosure that the rates for all operator-assisted calls are available on request, and that Authorized Users have a right to obtain access to the intrastate common carrier of their choice and may contact their preferred intrastate common carriers for information on accessing that carrier's service using that telephone; and
- (C) The name and address of the enforcement division the Federal Communications Commission, to which the Authorized User may direct complaints regarding Operator Services; and
- (D) Any other information required by state or federal regulatory agencies or law.

2.16.2 Aggregators must ensure that each of its telephones pre-subscribed to a provider of operator services allows the Authorized User to use "800" and "950" access code numbers to obtain access to the provider of operator services desired by the Authorized User.**2.16.3** Phone1 shall withhold payment (on a location-by-location basis) of any compensation, including commissions, to Aggregators if Phone1 reasonably believes that the Aggregator (i) is blocking access by means of "950" or "800" numbers to intrastate common carriers in violation of The Telephone Consumer Protection Act of 1990 paragraph 3.4.1.B.; or (ii) is blocking access to equal access codes in violation of rules the Federal Communication Commission and/or the South Dakota Public Utilities Commission may prescribe.

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)**2.17 Responsibilities of the Subscriber**

- 2.17.1** The Subscriber is responsible for placing any necessary orders, for complying with tariff regulations, and for ensuring that Authorized Users comply with tariff regulations. The Subscriber is also responsible for the payment of charges for calls originated at the Subscriber's premises that are not collect, third party, calling card, or credit card calls.
- 2.17.2** The Subscriber is responsible for charges incurred for special construction and/or special facilities that the Subscriber requests and which are ordered by Phone1 on the Subscriber's behalf.
- 2.17.3** If required for the provision of Phone1's Services, the Subscriber must provide any equipment space, supporting structure, conduit, and electrical power without charge to Phone1.
- 2.17.4** The Subscriber is responsible for arranging ingress to its premises at times mutually agreeable to it and Phone1 when required for Phone1 personnel to install, repair, maintain, program, inspect, or remove equipment associated with the provision of Phone1's Services.
- 2.17.5** The Subscriber shall ensure that its terminal equipment and/or system is properly interfaced with Phone1's facilities or services, that the signals emitted into Phone1's network configuration are of the proper mode, bandwidth, power, and signal level for the intended use of the Subscriber and in compliance with the criteria set forth in Part 68 of the Code of Federal Regulations, and that the signals do not damage equipment, injure personnel, or degrade service to other Subscribers.

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)

2.17 Responsibilities of the Subscriber, (Cont'd.)

- 2.17.6** If the Subscriber fails to maintain the equipment and/or the system properly, with resulting imminent harm to Phone1's equipment, personnel, or the quality of Service to other Subscribers or Customers, Phone1 may, upon written notice, require the use of protective equipment at the Subscriber's expense. If this fails to produce satisfactory quality and safety, Phone1 may, upon written notification, terminate the Subscriber's service.
- 2.17.7** The Subscriber must pay Phone1 for replacement or repair of damage to the equipment or facilities of Phone1 caused by negligence or willful act of the Subscriber, its Authorized Users, or others, or by improper use of equipment provided by the Subscriber, Authorized Users, or others.
- 2.17.8** The Subscriber must pay for the loss through theft or fire of any of Phone1's equipment installed at Subscriber's premises.

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)

2.18 Responsibilities of the Customer

- 2.18.1** The Customer is responsible for compliance with the applicable regulations set forth in this tariff as well as all rules and regulations of the state utility commission and the FCC.
- 2.18.2** The Customer is responsible for identifying the station, party, or person with whom communication is desired and/or made at the called number.
- 2.18.3** The Customer is responsible for providing Phone1 with a valid method of billing for each call. Phone1 reserves the right to validate the credit worthiness of users through available credit card, calling card, called number, third party telephone number, and room number verification procedures. Where a requested billing method cannot be validated, the user may be required to provide an acceptable alternate billing method or Phone1 may refuse to place the call.

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SECTION 2 - TERMS AND CONDITIONS, (CONT'D.)

2.19 Customer Inquiries or Complaints

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

Phone1, Inc.
100 North Biscayne Boulevard, 25th Floor
Miami, Florida 33132
Telephone: 305-371-3300
Toll Free: 866-674-6631
Facsimile: 305-371-4686

Customers may contact the South Dakota Public Utilities Commission if he or she is dissatisfied with the Company's response. The Commission can be reached at:

South Dakota Public Utilities Commission
Capitol Building, 1st Floor
500 East Capitol Avenue
Pierre, SD 57501
Telephone: (605) 773-3201
Toll Free: (800) 332-1782
Facsimile: (605) 773-3809

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SECTION 3 - DESCRIPTION OF SERVICES AND RATES**3.1 General**

Phone1 will provide direct dial and operator assisted services to entities serving the transient public for communications originating and terminating within the State of South Dakota under terms of this Tariff.

Each Customer is charged individually for each call placed through the Company. Charges may vary by service offering, mileage band, class of call, time of day, day of week and/or call duration. Customers are billed based on their use of the Company's service. No installation charge or fixed monthly recurring charges apply.

3.2 Timing of Calls

3.2.1 Timing for all calls begins when the called party answers the call (i.e. when two-way communications are established). Answer detection is based on standard industry answer detection methods, including hardware and software answer detection.

3.2.2 Chargeable time for all calls ends when either one of the parties disconnects from the call.

3.2.3 The minimum call duration and additional billing increments are specified on a per product basis in this section of the Tariff.

3.2.4 The Company will not bill for incomplete calls.

3.3 Holidays

The Company does not offer rate discounts for calls placed on state or federal holidays.

3.4 Rate Periods

The Company does not rate calls based on time-of-day.

3.5 Calculation of Distance

The Company does not rate calls based on distance.

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SECTION 3 - DESCRIPTION OF SERVICES AND RATES, (CONT'D.)**3.6 Public Telephone Surcharge**

In order to recover the Company's expenses to comply with the FCC's pay telephone compensation plan effective on October 7, 1997 (FCC 97-371), an undiscountable per call charge is applicable to all interstate, intrastate and international calls that originate from any domestic pay telephone used to access the Company's services. This surcharge, which is in addition to standard Tariffed usage charges and any applicable service charges and surcharges associated with the Company's service, applies for the use of the instrument used to access the Company service and is unrelated to the Company's service accessed from the pay telephone.

Pay telephones include coin-operated and coinless phones owned by local telephone companies, independent companies and other interexchange carriers. The Public Pay Telephone Surcharge applies to the initial completed call and any reoriginated call (i.e., using the "#" symbol).

Whenever possible, the Public Pay Telephone Surcharge will appear on the same invoice containing the usage charges for the surcharged call. In cases where proper pay telephone coding digits are not transmitted to the Company prior to completion of a call, the Public Pay Telephone Surcharge may be billed on a subsequent invoice after the Company has obtained information from a carrier that the originating station is an eligible pay telephone.

The Public Pay Telephone Surcharge does not apply to calls placed from pay telephones at which the Customer pays for service by inserting coins during the progress of the call.

Per Call Charge: \$0.69

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SECTION 3 - DESCRIPTION OF SERVICES AND RATES, (CONT'D.)**3.7 Operator Assisted Services**

The Company provides the Customer operated assisted services to aggregator locations on a per call service charge basis. In addition to the per call service charge, mileage-sensitive usage rates apply. The Company's operator services are accessible on a twenty-four (24) hour per day, seven (7) days per week basis.

The use of the Company's operator services allows the Customer to select from the special call handling or billing arrangements specified within. Call rates and applicable service charges will be assessed to the call originator, the called party's telephone number based on the call type (i.e. operator dialed, collect, third party billed, credit card billed or Customer dialed credit card billed without the use of an operator's assistance) initiated by the call originator and the appropriate acknowledgement of other parties, where applicable.

Customer Dialed Calling/Credit Card Call - This charge applies in addition to long distance usage charges for station to station calls billed to an authorized Calling Card or Commercial Credit Card. The Customer must dial the destination telephone number where the capability exists for the Customer to do so. A separate rate applies in the event operator assistance is requested for entering the Customer's card number for billing purposes.

Operator Dialed Calling/Credit Card Call - This charge applies in addition to long distance usage charges for station to station calls billed to an authorized telephone Calling Card or Commercial Credit Card and the operator dials the destination telephone number at the request of the Customer.

Operator Station - These charges apply in addition to long distance usage charges for non-Person-to-Person calls placed using the assistance of a Company operator and billed Collect, to a Third Party, by deposit of coins in Pay Telephones, or via some method other than a Calling Card or Commercial Credit Card.

Person-to-Person - This charge applies in addition to long distance usage charges for calls placed with the assistance of a Company operator to a particular party at the destination number. This charge applies regardless of billing method, including but not limited to billing to a Calling Card, Commercial Credit Card, Collect, by deposit of coins in Pay Telephones, or to a Third Party. Charges do not apply unless the specified party or an acceptable substitute is available.

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SECTION 3 - DESCRIPTION OF SERVICES AND RATES, (CONT'D.)**3.7 Operator Assisted Services, (Cont'd.)****3.7.1 Rate Plan 1**

Service is billed in three (3) minute increments following an initial three (3) minute period.

Per Minute Usage Rates:

All Mileage Bands
All Times of Day (Except Sent Paid Coin) \$1.15

Per Call Operator Service Charges:

Customer Dialed Calling Card Station: \$4.99
Operator Dialed Calling Card Station: \$7.50

Operator Station:	Automated	Live
Collect	\$5.99	\$ 7.50
Billed to Third Party	\$6.99	\$12.50
Sent Paid - Non Coin	\$5.99	\$12.50
Person to Person	\$12.50	\$12.50

Location Charge \$5.00

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SECTION 3 - DESCRIPTION OF SERVICES AND RATES, (CONT'D.)**3.7 Operator Assisted Services, (Cont'd.)****3.7.2 Rate Plan 2**

Service is billed in three (3) minute increments following an initial three (3) minute period.

Per Minute Usage Rates:

All Mileage Bands
All Times of Day (Except Sent Paid Coin) \$0.99

Per Call Operator Service Charges:

Customer Dialed Calling Card Station: \$4.99
Operator Dialed Calling Card Station: \$7.50

	Automated	Live
Collect	\$5.99	\$ 7.50
Billed to Third Party	\$6.99	\$12.50
Sent Paid - Non Coin	\$5.99	\$12.50
Person to Person	\$12.50	\$12.50

Location Surcharge \$5.00

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SECTION 3 - DESCRIPTION OF SERVICES AND RATES, (CONT'D.)**3.7 Operator Assisted Services, (Cont'd.)****3.7.3 Rate Plan 3**

Service is billed in three (3) minute increments following an initial three (3) minute period.

Per Minute Usage Rates:

All Mileage Bands
All Times of Day (Except Sent Paid Coin) \$1.15

Per Call Operator Service Charges:

Customer Dialed Calling Card Station: \$4.99
Operator Dialed Calling Card Station: \$7.50

	Automated	Live
Collect	\$5.99	\$ 7.50
Billed to Third Party	\$6.99	\$12.50
Sent Paid - Non Coin	\$5.99	\$12.50
Person to Person	\$12.50	\$12.50

Location Surcharge \$5.00

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SECTION 3 - DESCRIPTION OF SERVICES AND RATES, (CONT'D.)**3.8 Toll Free Access Operator Services****3.8.1 Rate Plan 1**

Service is billed in three (3) minute increments following an initial three (3) minute period.

Per Minute Usage Rates: \$0.69

Per Call Operator Service Charges:

Customer Dialed Calling Card Station: \$4.99

Operator Dialed Calling Card Station: \$7.50

	Automated	Live
Collect	\$4.99	\$6.99
Billed to Third Party	\$12.50	\$12.50
Sent Paid - Non Coin	\$5.99	\$12.50
Person to Person	\$12.50	\$12.50

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SECTION 3 - DESCRIPTION OF SERVICES AND RATES, (CONT'D.)**3.8 Toll Free Access Operator Services, (Cont'd.)****3.8.2 Rate Plan 2**

Service is billed in three (3) minute increments following an initial three (3) minute period.

Per Minute Usage Rates: \$0.69

Per Call Operator Service Charges:

Customer Dialed Calling Card Station: \$4.99
Operator Dialed Calling Card Station: \$7.50

	Automated	Live
Collect	\$4.99	\$7.99
Billed to Third Party	\$12.50	\$12.50
Sent Paid - Non Coin	\$ 5.99	\$12.50
Person to Person	\$12.50	\$12.50

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SECTION 3 - DESCRIPTION OF SERVICES AND RATES, (CONT'D.)**3.8 Toll Free Access Operator Services, (Cont'd.)****3.8.3 Rate Plan 3**

Service is billed in three (3) minute increments following an initial three (3) minute period.

Per Minute Usage Rates: \$1.15

Per Call Operator Service Charges:

Customer Dialed Calling Card Station: \$4.99

Operator Dialed Calling Card Station: \$7.50

	Automated	Live
Collect	\$5.99	\$7.50
Billed to Third Party	\$6.99	\$12.50
Sent Paid - Non Coin	\$5.99	\$12.50
Person to Person	\$12.50	\$12.50

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SECTION 3 - DESCRIPTION OF SERVICES AND RATES, (CONT'D.)**3.8 Toll Free Access Operator Services, (Cont'd.)****3.8.4 Rate Plan 4**

Service is billed in one (1) minute increments following an initial one (1) minute period.

Fully Automated Collect Calling

Per Minute Rate \$0.65

Per Call Rate \$3.99

Operator Assisted Collect Calling

Per Minute Rate \$1.15

Per Call Rate \$7.50

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SECTION 3 - DESCRIPTION OF SERVICES AND RATES, (CONT'D.)**3.8 Busy Line Verification and Interrupt Service**

Upon request of a calling party the Company will verify a busy condition on a designated local service line. The operator will determine if the line is clear or in use and report to the calling party. At the request of the Customer, the operator will interrupt the call on the busy line. Emergency Interruption is only permitted in cases where the calling party indicates an emergency exists and requests interruption.

If the Customer has the operator interrupt a call, both the Busy Line Verification and the Emergency Interrupt charge will apply.

No charge will apply when the calling party advises that the call is to or from an official public emergency agency. Busy Verification and Emergency Interrupt Service is furnished where and to the extent that facilities permit.

The Customer shall identify and save the Company harmless against all claims that may arise from either party to the interrupted call or any person.

	Per Call
Busy Line Verification	\$5.00
Emergency Interruption	\$5.00

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SECTION 3 - DESCRIPTION OF SERVICES AND RATES, (CONT'D.)**3.9 Directory Assistance**

A Directory Assistance charge applies to each call to the Directory Assistance Bureau. Two (2) requests may be made on each call to Directory Assistance. The Directory Assistance charge applies to each call, regardless of whether the Directory Assistance Bureau is able to furnish a requested telephone number.

Per Call Charge: \$1.99

3.10 Non-subscriber Service Charge

A Nonsubscriber Service Charge is applicable to operator assisted calls billed to residential lines which are presubscribed to an interexchange carrier other than the Company, or not presubscribed to any interexchange carrier. This charge is in addition to the applicable initial period charges and in addition to any applicable service charges for operator handled calls.

The Nonsubscriber Service Charge does not apply to calling card calls, intraLATA calls, calls to Directory Assistance, toll free or 900 numbers, ship-to-shore service or Telecommunications Relay Service.

Per Call Charge: \$3.50

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SECTION 3 - DESCRIPTION OF SERVICES AND RATES, (CONT'D.)**3.11 Aggregator Service**

Aggregator Service is provided for pay telephone owners who presubscribe their pay telephones to Phone1 for direct dial or sent paid calls originating at their premises. This service requires that pay telephone end users deposit coins in order to complete an intraLATA or interLATA call.

IntraLATA:

3 minute minimum:	\$0.50
Each Additional 3 minutes:	\$0.50

InterLATA:

2 minute minimum:	\$0.50
Each Additional 2 minutes:	\$0.50

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SECTION 4 - PROMOTIONS**4.1 Promotions - General**

From time to time the Company shall, at its option, promote subscription or stimulate network usage by offering to waive some of all of the nonrecurring or recurring charges for the Customer (if eligible) of target services for a limited duration, not to exceed 90 days, or by offering premiums or refunds of equivalent value. Such promotions shall be made available to all similarly situated Customers in the target market area. All promotions will be filed with the Commission prior to offering them to Customers.

4.2 Demonstration of Calls

From time to time the Company shall demonstrate service by providing free test calls of up to four (4) minutes duration over its network.

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SECTION 5 - CONTRACT SERVICES**5.1 General**

At the option of the Company, service may be offered on a contract basis to meet specialized requirements of the Customer not contemplated in this Tariff. The terms of each contract shall be mutually agreed upon between the Customer and Company and may include discounts off of rates contained herein, waiver of recurring or nonrecurring charges, charges for specially designed and constructed services not contained in the Company's general service offerings, or other customized features. The terms of the contract may be based partially or completely on the term and volume commitment, type of originating or terminating access, mixture of services or other distinguishing features. Service shall be available to all similarly situated Customers for six (6) months after the initial offering to the first contract Customer for any given set of terms.

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TECHNOLOGIES MANAGEMENT, INC.

P.O. BOX 200
WINTER PARK, FL 32790-0200
(407) 740-8575

AMSOUTH BANK
THE RELATIONSHIP PEOPLE
63-466/631

39673

1/14/2005

PAY TO THE ORDER OF South Dakota Public Service Comm.

\$ **250.00

Two Hundred Fifty and 00/100*****

DOLLARS

South Dakota Public Service Comm.
State Capitol
Pierre, SD 57501-5070

TECHNOLOGIES MANAGEMENT, INC.

MEMO: Filing fee for Phone 1

Margaret Byrnes

⑈039673⑈ ⑆063104668⑆ 3720575084⑈

TECHNOLOGIES MANAGEMENT, INC.

South Dakota Public Service Comm.

39673

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
01/14/2005	Bill	Phone 1	250.00	250.00		250.00
				Check Amount		250.00

TC05-001

Amsouth New Operating Filing fee for Phone 1

250.00