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June 22, 2000

FILED[3]

JUN 23 2000

Missouri Public
Service Commission

VIA OVERNIGHT DELIVERY

Mr. Dale Roberts
Chief A.L.J./Executive Secretary
Missouri Public Service Commission
Room 250
301 W. High Street
Jefferson City, MO 65102
(573) 751-3234

TA-2000-847

Re: PT-1 Counsel Inc.

Dear Mr. Roberts:

Enclosed please find an original and eight (8) copies of PT-1 Counsel Inc.'s Application for Certificate of Service Authority to Provide Interexchange Telecommunications Services Within the State of Missouri.

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

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

Please note that this Application is being submitted by myself and Judith A. Rau, Esq., Missouri Counsel, Bar # 24856.

Respectfully submitted,

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

Enclosures
cc: Gary Wasserson
Office of Public Counsel

20000120i

FILED[3]
JUN 23 2000
Missouri Public Service Commission

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the Application of PT-1 Counsel Inc.	)	
for a certificate of service authority to provide interexchange telecommunications services	)	Case No. TA-2000-847

APPLICATION

PT-1 Counsel Inc., ("Applicant"), a Delaware Corporation, files this verified application respectfully requesting that the Missouri Public Service Commission ("Commission") issue an order that:

(a) grants Applicant a Certificate of Service Authority to provide interexchange telecommunications services pursuant to Chapter 392 of the Missouri Revised Statutes.

(b) grants competitive status to Applicant, and classifies the Applicant's services as competitive.

(c) waives certain Commission rules and statutory provisions pursuant to Section 392.420, RSMo Cumm. Supp. 1992.

In support of its request, Applicant states:

1. The legal name and principal office or place of business of the Applicant are:

PT-1 Counsel Inc.
280 Park Ave., West Bldg., 28th Floor
New York, New York 10017
(212) 286-5000/Phone
(212) 867-3226/Facsimile

A copy of Applicant's Certificate of Incorporation and certificate of authority from the Missouri Secretary of State to transact business in Missouri are attached hereto as Exhibit I.

2. The name and address of Applicant's in-state attorney is:

Judith A. Rau, Esq.
Rau & Rau
119 E. Mill Street
Waterloo, Illinois 62298

3. Applicant is a reseller of telecommunications services. Applicant proposes to provide interexchange telecommunications services within Missouri including direct outbound dialing (1+ and 101XXXX), 800 and 888 (inbound Toll-Free), travel cards, and prepaid calling cards. Applicant respectfully requests authority to provide service to prospective business and residential customers throughout the State of Missouri.

4. Applicant has the experience in the telecommunications industry and the technical and financial resources to provide telecommunications services within Missouri. A brief description of the qualifications and experience of the key management employees is attached hereto as Exhibit II. A copy of the Applicant's Applicant's ultimate parent company, Counsel Corporation's, financial statements for the years ended December 31, 1998 and December 31, 1999 is attached hereto as Exhibit III.

5. Applicant's draft Tariff is attached as Exhibit IV. The proposed tariff contains the rules and regulations applicable to its customers, a description of the services offered, and a list of rates associated with such services.

6. Applicant requests classification as a competitive telecommunications company within the State of Missouri, and that its services are classified as competitive. Applicant believes that its proposed services will be subject to sufficient competition to justify a lesser degree of regulation. Granting of this application is in the public interest as it will allow greater price and service options for telephone users.

7. Applicant also respectfully requests, pursuant to Section 392.420 RSMo (Cum. Supp. 1992), that the Commission waive the application of the following rules and statutory provisions as it relates to the regulation of Applicant:

392.210.2	Establish Uniform System of Accounts for Annual reports
392.240(1)	Setting just and reasonable rates
392.270	Ascertain Property values
392.280	Establish Depreciation accounts
392.290	Issuance of securities
392.300.2	Acquisition of stock
392.310	Issuance of stock and debt
392.320	Stock Dividend Payment
392.330	Issuance of securities, debts and notes
392.340	Reorganization(s)
4 CSR 240-10.020	Depreciation fund income
4 CSR 240-30.010(2)(C)	Posting exchange rates at central offices.
4 CSR 240-33.030	Inform customers of lowest price
4 CSR 240-35	Reporting of bypass
4 CSR 240-30.040	Uniform System of Accounts

The above-referenced rules and statutory provisions have been waived as to other interexchange carriers in prior cases.

8. Applicant, pursuant to Section 386.570, Cum. Supp. 1992, will comply with all applicable Commission rules except those which are specifically waived by the Commission pursuant to a request filed by the Applicant.

9. Correspondence or communications pertaining to this Application should be addressed to:

Lance J.M. Steinhart, Esq.
6455 East Johns Crossing, Suite 285
Duluth, Georgia 30097
(770) 232-9200
(770) 232-9208 (Fax)

10. Grant of this Application will further the public interest by expanding the availability of competitive telecommunications services in the State of Missouri. In addition, intrastate offering of these services is in the public interest because the services will provide Missouri customers with access to new technologies and service choices, and can permit customers to achieve increased efficiencies and cost savings. In particular, the public will benefit directly, through the use of the competitive services to be offered by Applicant, and indirectly, because the presence of Applicant in this market will increase the incentives for other telecommunications providers to operate more efficiently, offer more innovative services, reduce their prices, and improve their quality of service.

WHEREFORE, Applicant, PT-1 Counsel Inc., respectfully requests that the Missouri Public Service Commission grant it a certificate of service authority to provide interexchange telecommunications services within the State of Missouri. Applicant also requests classification as a competitive telecommunications company and that its services be classified as competitive. In addition Applicant requests a waiver of the above-referenced rules and statutory provisions.

Respectfully submitted,

Lance J.M. Steinhart, Esq.
Attorney at Law
6455 East Johns Crossing, Suite 285
Duluth, Georgia 30097
(770) 232-9200
Georgia Bar No. 678222

and

Judith A. Rau, Esq.
Rau & Rau
119 E. Mill Street
Waterloo, Illinois 62298
(618) 939-7186
Missouri Bar No. 24856

Attorneys for Applicant

State of New York)
County of New York)

VERIFICATION

I, Gary Wasserson, being duly sworn, declare that I am the President of PT-1 Counsel Inc., the Applicant. I verify that, based upon information and belief, I have knowledge of the statements in the foregoing Application, and I declare that they are true and correct.

Gary Wasserson
President

Sworn to before me, the undersigned Notary Public on this 20th day of June, 2000.

Notary Public

Daniel Goldsmith
Print or Type Name

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

ATTACHED EXHIBITS

Exhibit I	Missouri Secretary of State Authorization And Certificate of Incorporation
Exhibit II	Executive Officers' Qualifications and Experience
Exhibit III	Financial Information
Exhibit IV	Draft Tariff

Exhibit I
Missouri Secretary of State Authorization
and
Certificate of Incorporation

No. F00484572

STATE OF MISSOURI

Rebecca McDowell Cook
Secretary of State

CORPORATION DIVISION - CERTIFICATE OF AUTHORITY

WHEREAS,
PT-1 COUNSEL INC.

using in Missouri the name
PT-1 COUNSEL INC.

has complied with the General and Business Corporation Law which governs Foreign Corporations; by filing in the office of the Secretary of State of Missouri authenticated evidence of its incorporation and good standing under the Laws of the State of DELAWARE.

NOW, THEREFORE, I, REBECCA McDOWELL COOK, Secretary of State of the State of Missouri, do hereby certify that said corporation is from this date duly authorized to transact business in this State, and is entitled to all rights and privileges granted to Foreign Corporations under the General and Business Corporation Law of Missouri.

IN TESTIMONY WHEREOF, I have set my hand and imprinted the GREAT SEAL of the State of Missouri, on this, the 13th day of JUNE, 2000.

Rebecca McDowell Cook

Secretary of State

$155.00

S.O.S. #30

State of Delaware PAGE 1

Office of the Secretary of State

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

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

Edward J. Freel, Secretary of State

3234808 8100

001268588

AUTHENTICATION: 0462861

DATE: 05-26-00

CERTIFICATE OF INCORPORATION
OF
PT-1 COUNSEL INC.

1) The name of the corporation is PT-1 Counsel Inc. (the "Corporation").

2) The address of the registered office of the Corporation in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of the registered agent of the Corporation at such address is The Corporation Trust Company.

3) The purposes for which the Corporation is formed are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

4) The aggregate number of shares which the Corporation shall have authority to issue shall be 1,000 shares of Common Stock, par value $.001 per share.

5) The name and mailing of the incorporator is as follows:

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

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

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

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

Name: Daniel Y. G[illegible]chinsky
Sole Incorporator

Exhibit II
Executive Officers' Qualifications and Experience

See attached Resumes

Gary Wasserson, President and Chief Executive Officer

Gary Wasserson is the President and Chief Executive Officer of Call Sciences~. As the CEO of the company, he heads up 165 associates, including 50 developers, in four countries.

Since accepting this position at Call Sciences(r), Mr. Wasserson has been responsible for the forward impetus of the company, moving the strategy from traditional telephony toward the VolP. model. He has developed numerous strategic alliances, including the development and deployment of the world's first scalable Unified Messaging Service with Oracle. His efforts have touched all areas of the company and have resulted in three new lines of business and an international toll-free service network from 80+ counties.

Throughout his twenty-one year career, Mr. Wasserson has accumulated an extensive breadth of experience, with specific expertise in launching companies and capturing a dominant market share in the calling card arena. Before becoming involved in telecommunications, he negotiated the $2.5M purchase of Sterling Supply Corporation and subsequently increased sales from $17.2M to $50M. He aggressively acquired Sterling's main competitors and executed the company's turnaround.

Mr. Wasserson entered the highly competitive telecommunications industry by founding Global Link, a pioneer in prepaid phone cards, in 1993. While at Global Link, he built domestic and international distribution channels to rapidly dominate the phone card industry. In 1997, he sold Global Link to Global Telecommunications Solutions (GTS), the first publicly traded prepaid card company in the U.S, and became CEO of GTS. He directed all aspects of this merger, including critical rightsizing.

Post-merger, Mr. Wasserson brought confidence and pride to GTS, built a strong sales force, established strategic direction, created a corporate identity, gained industry and Wall Street recognition, solidified relationships with bankers and analysts and raised $20M in capital on the public market in just seventeen months. He turned GTS' premerger revenue of $3M to $30M by the middle of 1997.

Mr. Wasserson earned an accelerated degree in Accounting and Finance from Babson.

JAMIE GAIL WARNER

460 West 57th Street, Apartment 4N
New York, NY 10019
(212) 489-1362

COUNSEL CORPORATION, New York, NY April 1998 - Present

Analyst

- Participant in all stages of acquisition transactions in the Internet, healthcare, consumer goods and pharmaceutical industries.
- Constructed comprehensive valuation, financial and operating models, including discounted cash flow analyses and comparable company analyses for companies in various industries
- Creation of proforma financial statements
- Participant in business, industry and financial due diligence for transactions
- Part of team responsible for articulating a significant change in the Company's investment strategy
- Participate in capital raising process for companies in the Internet, healthcare and pharmaceutical industries
- Create private placement memorandums for private equity financing
- Draft investment proposals to Board of Directors
- Create sales and marketing plans for portfolio company

PROFESSIONAL EXAMINATION SERVICE, New York, NY December 1995 – March 1998

Department of Research and Development

Research Assistant (1995 –1997)

Research Program Associate (1997 – 1998)

- Collected and analyzed qualitative and quantitative data for the creation and validation of national licensing and credentialing exams for non-profit professional organizations
- Developed and initiated policy studies for clients in the health care industry
- Wrote and disseminated final research reports to clients and stakeholders
- Presented research results to key client committees and state board representatives
- Planned and implemented specialized data collection strategies
- Conceptualized and performed data analyses
- Acted as a project manager and a liaison between clients and support services
- Created and implemented unified department procedures for billing, expense tracking, and resource management

UNIVERSITY OF ROCHESTER, Rochester, New York September 1993 – May 1995

Manager, Student Union Store

- Managed, hired, and trained a staff of 21 students
- Responsible for day-to-day operations; managed budgeting issues, including inventory and purchasing

EDUCATION

University of Rochester, BA Biology and **BA Psychology**, May 1995

Additional Skills: Windows 95, Quattro Pro,Word, EXCEL, SPSS-PC, Powerpoint, Bloomberg

Exhibit III
Financial Information

To the Shareholders of Counsel Corporation

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

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

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

Soberman Isenbaum & Colomby LLP

Soberman Isenbaum & Colomby LLP
Chartered Accountants

Toronto, Canada
April 7, 2000

CONSOLIDATED BALANCE SHEETS

(In 000s of US$) At December 31

	1999	1998
ASSETS		
Current assets		
Cash and cash equivalents	$ 19,788	$ 15,998
Short term investments *(Note 5)*	71,940	2,656
Amounts receivable	9,527	4,667
Income taxes recoverable	5,268	1,781
Inventory	7,419	4,215
Mortgages and other advances *(Note 6)*	1,679	159
Other assets *(Note 7)*	2,110	2,610
Deferred income taxes *(Note 15)*	1,948	704
Discontinued assets *(Note 3)*	2,388	207,240
	122,067	240,030
Mortgages and other advances *(Note 6)*	4,264	4,382
Other assets *(Note 7)*	15,518	14,044
Portfolio investments *(Note 8)*	3,013	–
Equity in Impower, Inc. *(Note 4)*	9,735	–
Long term care facilities *(Note 9)*	24,674	25,497
Product acquisition costs	99,721	108,362
Discontinued assets *(Note 3)*	–	103,150
	$ 278,992	$ 495,465
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness	$ –	$ 76,500
Accounts payable and accrued charges	27,078	19,953
Deferred revenue	995	2,115
Mortgages and loans payable *(Note 10)*	343	4,358
Discontinued liabilities *(Note 3)*	–	167,249
	28,416	270,175
Deferred revenue	1,923	1,860
Mortgages and loans payable *(Note 10)*	20,325	20,645
Other long term debt *(Note 11)*	84,659	84,659
Deferred income taxes *(Note 15)*	16,646	843
	151,969	378,182
Minority interest	4,679	984
Shareholders' equity	122,344	116,299
	$ 278,992	$ 495,465

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

On behalf of the Board

Allan Silber,
Director

Morris Perlis,
Director

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In 000s of US$) Year ended December 31

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

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

CONSOLIDATED STATEMENTS OF EARNINGS

(In 000s of US$ except per share amounts) Year ended December 31

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

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

	1999	1998
Cash provided by (used in) operating activities		
Earnings (loss) from continuing operations	$ (89,368)	$ 6,685
Non-cash items included in net earnings		
Writedown of investments	148,456	–
Amortization	7,204	1,372
Amortization of deferred revenue	(1,057)	(1,703)
Deferred income taxes	(53,334)	163
Minority interest	(1,079)	(111)
Equity in earnings of affiliate	(29)	–
Gain on realization of value in operating businesses	(1,929)	(2,232)
(Increase) decrease in amounts receivable	(3,146)	2,437
Increase in income taxes recoverable	(2,147)	(1,028)
Increase in inventory	(2,891)	(4,170)
(Increase) decrease in other assets	739	(2,807)
Increase in accounts payable	1,107	11,368
Discontinued operations	–	(7,948)
Net cash provided by operating activities	2,526	2,026
Cash provided by (used in) investing activities		
Investment in Impower, Inc.	(10,000)	–
Investment in portfolio companies	(3,013)	–
Acquisition of pharmaceutical product businesses	(2,483)	(114,482)
Mortgages and other advances – lending	(1,402)	–
Mortgages and other advances – repayments	655	530
Purchase of property and equipment	(1,638)	–
Drug development costs	(482)	–
Proceeds on realization of value in operating businesses	1,690	3,070
Disposition of interest in pharmaceutical products business	4,627	–
Other investments	(6,419)	333
Discontinued operations	156,397	–
Net cash provided by (used in) investing activities	137,932	(110,549)
Cash provided by (used in) financing activities		
Increase (decrease) in bank indebtedness	(76,500)	75,500
Borrowings (repayments) of mortgages and loans payable	(4,312)	3,056
Other long term debt	–	40,000
Issuance of capital stock	32	640
Shares purchased for cancellation	(13,732)	(2,727)
Interest paid on equity component of debentures payable	(595)	(390)
Dividends paid	(26,357)	–
Discontinued operations	(15,204)	–
Net cash provided by (used in) financing activities	(136,668)	116,079
Increase in cash and cash equivalents	3,790	7,556
Cash and cash equivalents, beginning of year	15,998	8,442
Cash and cash equivalents, end of year	$ 19,788	$ 15,998
Supplemental disclosure of cash flow information		
Cash paid during the period for items relating to continuing operations		
Interest	$ 7,234	$ 4,624
Income tax refunds	$ (1,082)	–
Income tax payments	$ 1,751	–
Portion of proceeds on sale of pharmacy services business derived from capital stock of the purchaser	$ 207,174	–

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Debt instruments of the Company that contain an option to convert such instruments into equity of the Company by the issuer and holder have both a financial liability and an equity component. At the time of issuance, the face amount of the debt instrument is separated into its liability and equity components and presented on the balance sheet as long term debt and shareholders' equity, respectively. The liability component is derived by computing the present value of the future principal and interest payment obligations under the debt instrument at the prevailing interest rate at the time of issuance for debt securities without conversion features. The equity component is the residual after deduction of the liability component from the face amount of the debt instrument. Interest on such debt instruments relating to the financial liability component is charged to earnings, and interest relating to the equity component is charged to retained earnings.

(ii) The carrying amounts reported on the balance sheet for amounts receivable, bank indebtedness and accounts payable and accrued charges approximate their fair values. The fair values of other financial instruments are disclosed in *Notes 5, 8* and *16*. The estimated fair value of marketable securities carried at cost are based on quoted market values. Other fair value amounts are based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value. The fair value estimates are based on pertinent information available to management as at the balance sheet date. Such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	1999	1998
Revenue	$ –	$ 91,890
After tax earnings from discontinued operations prior to measurement date	$ –	$ (1,555)
Net loss from discontinued operations after tax	**(14,529)**	(31,547)
Loss from discontinued operations after tax	**$ (14,529)**	$ (33,102)

Impower, Inc.

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

FARO Pharmaceuticals Inc.

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

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

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

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

Sage BioPharma Inc.

On June 30, 1998, the Company acquired a controlling interest in Sage for nominal consideration. Sage is engaged in providing hormonal therapy products in the United States. At December 31, 1998, the Company had invested $1,470,000 in preferred stock of Sage. Also on June 30, 1998, Sage acquired the rights to market certain hormonal pharmaceutical products in North America for a period of 10 years from the date those products are approved for distribution.

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

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

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

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

	Number of Shares	Carrying Amount	Fair Value
Bergen Brunswig Corporation	7,832	$ 65,090	$ 65,090
RioCan REIT	1,309	6,216	7,841
Other		634	658
		$ 71,940	$ 73,589

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

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

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

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

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

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

Other assets are as follows:

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

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

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

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

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

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

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

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

Other long term debt is as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Fixed stock option plans

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

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

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

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

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

(ii) Share purchase plan

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

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

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

	1999		1998	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Fixed stock options				
Outstanding at beginning of year	**2,017**	**$ 0.78**	1,398	$ 1.03
Granted	**9,350**	**0.25**	1,747	0.35
Exercised	**(757)**	**0.35**	(1,006)	0.18
Forfeited	**(10)**	**0.49**	(122)	2.44
Outstanding at end of year	**10,500**	**$ 0.34**	2,017	$ 0.78
Options exercisable at end of year	**6,443**	**$ 0.40**	1,547	$ 0.87

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

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

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

Pharmaceutical products

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

Clinical laboratory

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

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

	1999	1998
Earnings (loss) before income taxes and minority interest	$(144,448)	$ 5,703
Income taxes (recovery), based on statutory tax rates of 44.62%	$ (64,453)	$ 2,545
Increase (decrease) in taxes resulting from:		
Non-taxable transactions	1,745	1,975
Lower effective tax rate of foreign subsidiaries	13,256	285
Utilization of losses carried forward	(4,638)	(5,687)
Large corporation tax	89	11
Actual income tax recovery	$ (54,001)	$ (871)
Represented by:		
Current	$ 3,873	$ 4,642
Deferred (recovery)	(53,334)	163
Utilization of losses carried forward	(4,629)	(5,687)
Large corporation tax	89	11
	$ (54,001)	$ (871)

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

	1999	1998
Canada		
Current	$ 108	$ 27
Deferred (recovery)	(3,900)	88
	$ (3,792)	$ 115
United States		
Current (recovery)	$ (775)	$ (1,061)
Deferred (recovery)	(49,434)	75
	$ (50,209)	$ (986)
Total		
Current (recovery)	$ (667)	$ (1,034)
Deferred (recovery)	(53,334)	163
	$ (54,001)	$ (871)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Pharma. Products	United States Clinical Lab	Long Term Care	Canada Long Term Care	Corporate Office	Total
1998						
– Continuing operations						
Revenues	$ 3,378	$ 11,145	$ 1,351	$ 29,761	$ 7,908	$ 53,543
Earnings (loss) from operating businesses	$ 1,307	$ 466	$ (649)	$ 1,861	$ –	$ 2,985
Realization of value in operating businesses	–	1,289	–	–	943	2,232
Interest and other income	–	–	–	–	7,908	7,908
Earnings (loss) before undernoted expenses	1,307	1,755	(649)	1,861	8,851	13,125
Corporate	–	–	–	–	3,008	3,008
Interest	534	73	884	1,112	439	3,042
Amortization	346	35	397	408	186	1,372
Segment earnings (loss) before income taxes and minority interest	427	1,647	(1,930)	341	5,218	5,703
Income taxes (recovery)	–	135	(672)	88	(422)	(871)
Segment earnings (loss) before minority interest	$ 427	$ 1,512	$ (1,258)	$ 253	$ 5,640	$ 6,574
Segment assets	$ 132,847	$ –	$ 12,070	$ 17,765	$ 22,393	$ 185,075
Capital expenditures	114,148	101	–	–	233	114,482
Other significant non-cash items:						
Amortization of deferred revenue	–	–	(269)	(1,434)	–	(1,703)
Deferred income taxes	–	(40)	(35)	(88)	–	(163)
Gain on realization of value in operating businesses	–	(1,289)	–	–	(943)	(2,232)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	1999	1998
ASSETS		
Current		
Cash and cash equivalents	$ 19,788	$ 15,998
Short term investments	73,589	4,885
Deferred income taxes	1,948	704
Discontinued operations	2,388	137,574
Other	26,003	13,432
	123,716	172,593
Mortgages and other advances	1,671	3,108
Equity in Impower, Inc.	9,735	–
Portfolio investments	12,406	–
Long term care facilities	15,805	17,369
Product acquisition costs	99,721	108,362
Other	15,518	14,741
	$278,572	$316,173
LIABILITIES		
Current liabilities	$ 28,416	$102,989
Other long term debt	90,000	90,000
Deferred income taxes	15,209	697
Minority interest	4,679	984
Other	22,248	21,573
	160,552	216,243
SHAREHOLDERS' EQUITY		
Capital stock	109,185	118,736
Accumulated deficit	(558)	(18,806)
Accumulated comprehensive income	9,393	–
	118,020	99,930
	$ 278,572	$ 316,173

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

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

Exhibit IV
Draft Tariff

TITLE SHEET

MISSOURI INTEREXCHANGE TELECOMMUNICATIONS TARIFF

OF

PT-1 COUNSEL INC.

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service or facilities for Telecommunications Services furnished by PT-1 Counsel Inc. ("PT-1"), with principal offices at 280 Park Ave., West Bldg., 28th Floor, New York, New York 10017, toll free telephone number (800) 513-6947. This tariff applies for services furnished within the State of Missouri for business and residential service. This tariff is on file with the Missouri Public Service Commission, and copies may be inspected, during normal business hours, at the company's principal place of business.

PT-1 Counsel Inc., operates as a competitive telecommunications company as defined by Case No. TO-88-142 within the State of Missouri.

All services will be provided in accordance with Commission rules and regulations.

WAIVER OF RULES AND REGULATIONS

392.210.2	Establish Uniform System of Accounts for Annual reports
392.240(1)	Setting just and reasonable rates
392.270	Ascertain Property values
392.280	Establish Depreciation accounts
392.290	Issuance of securities
392.300.2	Acquisition of stock
392.310	Issuance of stock and debt
392.320	Stock Dividend Payment
392.330	Issuance of securities, debts and notes
392.340	Reorganization(s)
4 CSR 240-10.020	Depreciation fund income
4 CSR 240-30.010(2)(C)	Posting exchange rates at central offices.
4 CSR 240-33.030	Inform customers of lowest price
4 CSR 240-35	Reporting of bypass
4 CSR 240-30.040	Uniform System of Accounts

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New York, New York 10017

RESERVED FOR FUTURE USE

Gary Wasserson, President
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New York, New York 10017

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TARIFF FORMAT

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

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

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

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

SYMBOLS

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

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

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

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

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

Commission - Used throughout this tariff to mean the Missouri Public Service Commission.

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

Customer - The person, firm, corporation or other legal entity which orders the services of the Company or purchases a Company Prepaid Calling Card and/or originates prepaid calls using such cards, and is responsible for the payment of charges and for compliance with the Company's tariff regulations.

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

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

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

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

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

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

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

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

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

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SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of the Company

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

2.1.1 The services provided by the Company are not part of a joint undertaking with any other entity providing telecommunications channels, facilities, or services, but may involve the resale of the Message Toll Services (MTS) and Wide Area Telecommunications Services (WATS) of underlying common carriers subject to the jurisdiction of this Commission.

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

2.1.3 The Company reserves the right to limit the length of communications, to discontinue furnishing services, or limit the use of service necessitated by conditions beyond its control, including, without limitation: lack of satellite or other transmission medium capacity; the revision, alteration or repricing of the Underlying Carrier's tariffed offerings; or when the use of service becomes or is in violation of the law or the provisions of this tariff.

2.2 Use of Services

2.2.1 Services may be used for any lawful purpose consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of services, subject to any limitations set forth in this Section 2.2.

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

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

2.2.4 Services are available for use 24 hours per day, seven days per week.

2.2.5 The Company does not transmit messages, but the services may be used for that purpose.

2.2.6 Services may be denied for nonpayment of undisputed charges or for other violations of this tariff.

2.2.7 Customers shall not use the service provided under this tariff for any unlawful purpose.

2.2.8 The Customer is responsible for notifying the Company immediately of any unauthorized use of services.

2.3 Liability of the Company

2.3.1 The Company shall not be liable for any claim, loss, expense or damage for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff, if caused by the Underlying Carrier, an act of God, fire, war, civil disturbance, act of government, or due to any other causes beyond the Company's control.

2.3.2 The Company shall not be liable for, and shall be fully indemnified and held harmless by the Customer against any claim, loss, expense, or damage for defamation, libel, slander, invasion, infringement of copyright or patent, unauthorized use of any trademark, trade name or service mark, proprietary or creative right, or any other injury to any person, property or entity arising out of the material, data or information transmitted.

2.3.3 No agent or employee of any other carrier or entity shall be deemed to be an agent or employee of the Company.

2.3.4 The Company's liability for damages, resulting in whole or in part from or arising in connection with the furnishing of service under this tariff, including but not limited to mistakes, omissions, interruptions, delays, errors, or other defects or misrepresentations shall not exceed an amount equal to the charges provided for under this tariff for the long distance call for the period during which the call was affected. No other liability in any event shall attach to the Company.

2.3.5 The Company shall not be liable for and shall be indemnified and saved harmless by any Customer or by any other entity from any and all loss, claims, demands, suits, or other action or any liability whatsoever, whether suffered, made, instituted, or asserted by any Customer or any other entity for any personal injury to, or death of, any person or persons, and for any loss, damage, defacement or destruction of the premises of any Customer or any other entity or any other property whether owned or controlled by the Customer or others.

2.3.6 The Company shall not be liable for any indirect, special, incidental, or consequential damages under this tariff including, but not limited to, loss of revenue or profits, for any reason whatsoever, including the breakdown of facilities associated with the service, or for any mistakes, omissions, delays, errors, or defects in transmission occurring during the course of furnishing service.

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

2.4 Responsibilities of the Customer

2.4.1 The Customer is responsible for placing any necessary orders and complying with tariff regulations. The Customer is also responsible for the payment of charges for services provided under this tariff.

2.4.2 The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by the Company on the Customer's behalf.

2.4.3 If required for the provision of services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to the Company.

2.4.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to the Company and the Customer when required for Company personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of services.

2.4.5 The Customer shall cause the temperature and relative humidity in the equipment space provided by Customer for the installation of equipment to be maintained within the range normally provided for the operation of microcomputers.

2.4.6 The Customer shall ensure that the equipment and/or system is properly interfaced with facilities or services, that the signals emitted into network are of the proper mode, bandwidth, power and signal level for the intended use of the subscriber and in compliance with criteria set forth in this tariff, and that the signals do not damage equipment, injure personnel, or degrade service to other Customers. If the Federal Communications Commission or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with interstate communications service, the Company will permit such equipment to be connected with its channels without the use of protective interface devices. If the Customer fails to maintain the equipment and/or the system properly, with resulting imminent harm to Company equipment, personnel or the quality of service to other Customers, the Company may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, the Company may, upon written notice, terminate the Customer's service.

2.4.7 The Customer must pay the Company for replacement or repair of damage to the equipment or facilities of the Company caused by negligence or willful act of the Customer or others, by improper use of the services, or by use of equipment provided by Customer or others.

2.4.8 The Customer must pay for the loss through theft of any Company equipment installed at Customer's premises.

2.4.9 If the Company installs equipment at Customer's premises, the Customer shall be responsible for payment of any applicable installation charge.

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

2.5 Cancellation or Interruption of Services

2.5.1 Without incurring liability, upon ten (10) working days' (defined as any day on which the company's business office is open and the U.S. Mail is delivered) written notice to the Customer, the Company may immediately discontinue services to a Customer or may withhold the provision of ordered or contracted services:

2.5.1.A For nonpayment of any undisputed sum due the Company for more than thirty (30) days after issuance of the bill for the amount due,

2.5.1.B For violation of any law, rule, regulation, policy of any governing authority having jurisdiction over services, or

2.5.1.C By reason of any order or decision of a court, public service commission or federal regulatory body or other governing authority prohibiting the Company from furnishing its services.

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

2.5.3 Service may be discontinued by the Company without notice to the Customer, by blocking traffic to certain NXX exchanges, or by blocking calls using certain Customer authorization codes, when the Company deems it necessary to take such action to prevent unlawful use of its service. The Company will restore service as soon as it can be provided without undue risk, and will, upon request by the Customer affected, assign a new authorization code to replace the one that has been deactivated.

2.5.4 The Customer may terminate service upon thirty (30) days written or oral notice for the Company's standard month to month contract. Customer will be liable for all usage on any of the Company's service offerings until the Customer actually leaves the service. Customers will continue to have Company usage until the Customer notifies its local exchange carrier and changes its long distance carrier. Until the Customer so notifies its local exchange carrier, it shall continue to generate and be responsible for long distance usage.

2.6 Credit Allowance

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

2.6.2 Credit shall not be issued for unavailability of long distance services.

2.7 Restoration of Service

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

2.8 Deposit

The Company does not require deposits.

2.9 Advance Payments

The Company does not require advance payments.

2.10 Payment and Billing

2.10.1 Service is provided and billed on a billing cycle basis, beginning on the date that service becomes effective. Billing is payable upon receipt. A late fee of 1.5% per month, or the amount otherwise authorized by law, whichever is lower, will be assessed upon any unpaid amount commencing 30 days after rendition of bills.

2.10.2 The customer is responsible for payment of all charges for services furnished to the Customer, as well as to all persons using the Customer's codes, exchange lines, facilities, or equipment, with or without the knowledge or consent of the Customer. The security of the Customer's Authorization Codes, presubscribed exchange lines, and direct connect facilities is the responsibility of the Customer. All calls placed using direct connect facilities, presubscribed exchange lines, or Authorization Codes will be billed to and must be paid by the Customer. Recurring charges and non-recurring charges are billed in advance. Charges based on actual usage during a month and any accrued interest will be billed monthly in arrears.

2.10.3 Reserved for Future Use.

2.11 Reserved for Future Use

2.12 Taxes

All federal, state and local taxes, including sales taxes, use taxes, gross receipts taxes, and municipal utilities taxes, are billed as separate line items and are not included in the rates quoted herein. All charges other than taxes and franchise fees shall be submitted to the Commission for approval.

2.13 Taxes and Fees for Prepaid Calling Cards

The prepaid calling card rate does not include federal excise tax or state and local taxes which are required to be paid at the point of sale. The tariffed rate does include state and local sales taxes, which are required to be paid on usage of the underlying telecommunications service when that service originates and terminates within a particular tax jurisdiction.

2.14 Returned Check Charge

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

2.15 Reconnection Charge

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

SECTION 3 - DESCRIPTION OF SERVICE

3.1 Computation of Charges

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

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

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

3.2 Customer Complaints and/or Billing Disputes

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

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

Any objection to billed charges should be reported promptly to the Company. Adjustments to Customers' bills shall be made to the extent that records are available and/or circumstances exist which reasonably indicate that such charges are not in accordance with approved rates or that an adjustment may otherwise be appropriate. Where overbilling of a subscriber occurs, due either to Company or subscriber error, no liability exists which will require the Company to pay any interest, dividend or other compensation on the amount overbilled.

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

3.3 Level of Service

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

3.4 Billing Entity Conditions

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

3.5 <u>Service Offerings</u>

3.5.1 1+ Dialing

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

3.5.2 Travel Cards

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

3.5.3 800 Service (Toll-Free)

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

3.5.4 The Company Prepaid Calling Cards

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

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

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

A card will expire on the date indicated on the card, or if no date is specified, 12 months from the date of purchase, or the date of last recharge, whichever is later. The Company will not refund unused balances.

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

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

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

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

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

3.5.5 Directory Assistance.

Access to long distance directory assistance is obtained by dialing 1 + 555-1212 for listings within the originating area code and 1 + (area code) + 555-1212 for other listings. When more than one number is requested in a single call, a charge will apply for each number requested. A charge will be applicable for each number requested, whether or not the number is listed or published. The company will not provide, nor bill, for operator services.

3.5.6 Reserved for Future Use.

3.5.7 Emergency Call Handling Procedures

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

3.5.8 Promotional Offerings

The Company may, upon Commission approval, offer customers specific rate incentives during specified promotional periods. The Company will provide written notice to the Commission at least 7 days prior to the commencement of a promotional program specifying the terms of the promotion, the specific service offered, the location, and the beginning and ending dates of the promotional period.

SECTION 4 - RATES

4.1 1+ & 101XXXX Dialing

$0.15 per minute

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

4.2 Travel Cards

$.199 per minute

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

4.3 800 Service (Toll Free)

$0.15 per minute

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

4.4 Prepaid Calling Cards

Program (to be determined by distributor)

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

A $.59 per call service charge applies.

4.5 Directory Assistance

$.95

4.6 Returned Check Charge

$25.00

4.7 Reconnection Charge

$25.00

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

4.8 Rate Periods

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

* To, but not including

When a message spans more than one rate period, total charges for the minutes in each rate period are calculated and the results for each rate period are totaled to obtain the total message charge. If the calculation results in a fractional charge, the amount will be rounded down to the lower cent.

4.9 Payphone Dial Around Surcharge

A surcharge applies on all completed intrastate toll-free and 10XXX/101XXXX access code calls, including any 800/888 or travel card calls, originating from a pay telephone. This surcharge is applied in addition to any other applicable service charges or surcharges. The surcharge does not apply to: calls paid for by inserting coins at the pay telephone; or calls placed from stations other than a pay telephone.

Surcharge Rate $0.35 per call

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the application of PT-1 Counsel Inc. for a certificate of service authority to provide interexchange telecommunications services	)	Case No.

ENTRY OF APPEARANCE

COMES NOW Lance J. M. Steinhart, Attorney at Law and pursuant to rule 4 CSR 240-2.040 herewith files his Entry of Appearance on behalf of Applicant PT-1 Counsel Inc., in connection with the above-styled proceeding. With respect to his entry, Mr. Steinhart hereby advises the Commission that he is a member in good standing of the State Bar of Georgia and the New York State Bar and is admitted to practice before District Courts. He also is on inactive status with the State Bar of Maryland. Neither the undersigned nor any member of his firm is disqualified to appear in any court. I also hereby designate Judith A. Rau, of the law firm of Rau & Rau, 119 E. Mill St., Waterloo, IL 62298 to serve as our local Missouri counsel in this matter.

Lance J.M. Steinhart, Esq.
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(770) 232-9200
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Georgia Bar No. 678222

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the application of PT-1 Counsel Inc. for a certificate of service authority to provide interexchange telecommunications services	)	Case No.

ENTRY OF APPEARANCE

COMES NOW Judith A. Rau of the Law Firm of Rau & Rau, and pursuant to rule 4 CSR 240-2.040, herewith files her Entry of Appearance as local Missouri counsel on behalf of Applicant **PT-1 Counsel Inc.**, in connection with the above-styled proceeding.

Judith A. Rau, Esq.
Rau & Rau
119 E. Mill Street
Waterloo, Illinois 62298
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