KY|KS

TC01-153

DOCKET NO. TC01-153

TC01-153

In the Matter of IN THE MATTER OF THE APPLICATION OF TALKNOW, INC. FOR A CERTIFICATE OF AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICES IN SOUTH DAKOTA

Public Utilities Commission of the State of South Dakota

DATE	MEMORANDA
9/27/01	Filed and Docketed;
10/4/01	Weekly Filing;

STATE PUBLISHING CO., PIERRE, SOUTH DAKOTA—SMEAD 89 SP14130

TC01-15

Lance J.M. Steinhart, P.C.
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Duluth, Georgia 30097

Also Admitted in New York
and Maryland

Telephone: (770) 232-9200
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September 26, 2001

VIA OVERNIGHT DELIVERY

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

Re: TalkNow, Inc.

Dear Mr. Bullard:

Enclosed please find one original and ten (10) copies of TalkNow, Inc.'s Application for Registration of a Telecommunications Company.

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

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

Respectfully submitted,

Lance J.M. Steinhart
Attorney for TalkNow, Inc.

Enclosures
cc: Desiree Neal

TC01-15

APPLICATION FOR REGISTRATION
OF TALKNOW, INC.
FILED WITH THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF TALKNOW, INC.	)	
FOR AN ORDER AUTHORIZING THE REGISTRATION OF APPLICANT AS A TELECOMMUNICATIONS COMPANY	)	Docket No.

APPLICATION

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

1. Name, Address and Telephone Number of Applicant:
   TalkNow, Inc.
   9775 Business Park Avenue
   San Diego, California 92131
   Telephone: (800) 576-7775
   Toll-Free Customer Service: (800) 576-7775

2. The name under which the Applicant will provide these services if different than in 1. above:

   TalkNow, Inc.

3. <u>Applicant's corporate information:</u>

Applicant was organized in the State of Delaware on July 26, 2000. A copy of the Applicant's Certificate of Incorporation, as amended, is attached hereto as Exhibit A. A copy of Applicant's Certificate of Authority to transact business as a foreign corporation in the State of South Dakota is attached hereto as Exhibit B.

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

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

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

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

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

4. <u>Partnership Information:</u>

Not Applicable.

5. <u>Description of Services Applicant intends to offer:</u>

Applicant is a reseller which intends to offer interexchange services, including 1+ and 101XXXX outbound dialing, 800/888 toll-free inbound dialing, directory assistance, data services, and travel card service. The company will <u>not</u> provide prepaid calling card service.

6. <u>Means by which the Applicant intends to provide services:</u>

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

7. <u>Geographic Areas in which services will be offered:</u>

Applicant intends to provide services on a statewide basis.

8. <u>Financial Qualifications:</u>

Applicant is financially qualified to provide intrastate interexchange telecommunications services within South Dakota. In particular, Applicant has adequate access to the capital necessary to fulfill any obligations it may undertake with respect to the provision of intrastate telecommunications services in the State of South Dakota. See Exhibit C, which is attached hereto, the Audited Financial Statements for the years ended December 31, 1998, 1999 and 2000 for Applicant's Ultimate Parent Company, Counsel Corporation, which demonstrates that Applicant has the financial ability to provide the services that it proposes to offer.

9. <u>Applicant's complaints and regulatory matters contact and how Applicant handles customer billings and customer service matters.</u>

All inquiries regarding regulatory matters should be addressed to:

Desiree Neal, Manager of Regulatory Affairs
9775 Business Park Avenue
San Diego, California 92131
Telephone: (800) 576-7775
Facsimile: (858) 536-3394
E-Mail: desiree.neal@worldxchange.com

All inquiries regarding complaints should be addressed to:

Bobby Vannoy, Customer Service Manager
9775 Business Park Avenue
San Diego, California 92131
Telephone: (800) 576-7775; (800) 576-7775 (toll-free)
Facsimile: (858) 536-3394
E-Mail: bobby.vannoy@worldxchange.com

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

10. **Regulatory Status:**

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

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

11. Description of Marketing

Applicant intends to market its services to primarily to residential customers and to small to mid-sized businesses. All sales personnel will have telecommunications service experience. Applicant will market through direct sales by employees and agents. Applicant does not intend to engage in multilevel marketing at this time. Applicant's marketing materials are currently being developed and are not available at this time.

12. Cost Support:

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

13. Federal Tax Identification Number:

22-3252913

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

None

15. Tariff

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

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

DATED this 26 day of Sept, 2001.

TalkNow, Inc.

By: ______________________________
Lance J.M. Steinhart, Its Counsel

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

~~State of California~~ UTAH

~~County of San Diego~~ SALT LAKE

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

Gary Wasserson
President

Subscribed and sworn to before this 20TH day of SEPTEMBER 2001.

S. G. Thomas
Notary Public

My Commission expires: 11/15/01

Notary Public
SUZANNE G. THOMAS
2187 S Wilmington Cir
SLC, Utah 84109
My Commission Expires
November 15, 2001
State of Utah

LIST OF EXHIBITS

A - CERTIFICATE OF INCORPORATION

B - CERTIFICATE OF AUTHORITY

C - MARKETING MATERIAL

D - FINANCIAL INFORMATION

E - PROPOSED TARIFF

EXHIBIT A - CERTIFICATE OF INCORPORATION

State of Delaware

Office of the Secretary of State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED ARE TRUE AND CORRECT COPIES OF ALL DOCUMENTS ON FILE OF "TALKNOW, INC." AS RECEIVED AND FILED IN THIS OFFICE.

THE FOLLOWING DOCUMENTS HAVE BEEN CERTIFIED:

CERTIFICATE OF INCORPORATION, FILED THE TWENTY-SIXTH DAY OF JULY, A.D. 2000, AT 3 O'CLOCK P.M.

CERTIFICATE OF MERGER, CHANGING ITS NAME FROM "WEBTOTEL ACQUISITION CORP." TO "NEXBELL COMMUNICATIONS, INC.", FILED THE SEVENTEENTH DAY OF AUGUST, A.D. 2000, AT 2:45 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, CHANGING ITS NAME FROM "NEXBELL COMMUNICATIONS, INC." TO "TALKNOW, INC.", FILED THE TWELFTH DAY OF SEPTEMBER, A.D. 2001, AT 5 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CERTIFICATES ARE THE ONLY CERTIFICATES ON RECORD OF THE AFORESAID CORPORATION.

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

CERTIFICATE OF INCORPORATION
OF
WEBTOTEL ACQUISITION CORP.

1) The name of the corporation is WebToTel Acquisition Corp. (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 26th day of July, 2000 and affirms the statements contained herein as true under penalty of perjury.

Name: Daniel Y. Gielchinsky
Sole Incorporator

ARTICLES OF MERGER OF NEXBELL COMMUNICATIONS, INC. WITH WEBTOTEL ACQUISITION CORP.

The undersigned domestic corporations do hereby execute the following Articles of Merger, dated this 17th day of August, 2000, pursuant to Section 251 of the Delaware General Corporation Law ("DGCL") for the purpose of merging Nexbell Communications, Inc. with and into WebToTel Acquisition Corp.

1. The name of each of the undersigned corporations and the state in which each is incorporated are as follows:

Name of Corporation	State of Incorporation
Nexbell Communications, Inc.	Delaware
WebToTel Acquisition Corp.	Delaware

2. The Agreement and Plan of Merger of Nexbell Communications, Inc. and WebToTel Acquisition Corp. (the "Agreement and Plan of Merger") has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations in accordance with Section 251 of the DGCL.

3. The name which the surviving corporation shall have after the merger is "WebToTel Acquisition Corp."

4. The Certificate of Incorporation of the surviving corporation in effect immediately prior to the effective date of the merger shall be the Certificate of Incorporation of the surviving corporation until amended in accordance with applicable law, except that Article First of the Certificate of Incorporation shall be amended at the effective date of the merger to read as follows:

"FIRST: The name of the corporation (the "Corporation") is: Nexbell Communications, Inc."

5. The Agreement and Plan of Merger is on file at the offices of the surviving corporation, which is located at 280 Park Avenue, West Building, 28th floor, New York, New York 10017, and a copy thereof will be furnished, upon request and without cost, to any stockholder of any constituent corporation.

IN WITNESS WHEREOF, these Articles of Merger have been signed by the President and Secretary of Nexbell Communications, Inc., and by the President and Secretary of WebToTel Acquisition Corp. each thereunto duly authorized, as of the 17th day of August, 2000.

NEXBELL COMMUNICATIONS, INC.

By:____________________
Name: Andre Tennared
Title: President

ATTEST:

By:____________________
Name: Barry Greenspan
Title: Secretary

WEBTOTEL ACQUISITION CORP.

By:____________________
Name: Allan Silber
Title: President

ATTEST:

By:____________________
Name: Gary Wasserson
Title: Secretary

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 05:00 PM 09/12/2001
010452034 - 3265479

CERTIFICATE OF AMENDMENT OF CERTIFICATE OF INCORPORATION

OF

NEXBELL COMMUNICATIONS, INC.

NEXBELL COMMUNICATIONS, INC. (hereinafter called the "corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify:

1. The name of the corporation NEXBELL COMMUNICATIONS, INC.

2. The certificate of incorporation of the corporation is hereby amended by striking out Article FIRST, thereof and by substituting in lieu of said Article the following new Article:

FIRST: The name of the corporation is:

TalkNow, Inc.

3. The amendment of the Certificate of Incorporation herein certified has been duly adopted in accordance with the provisions of Sections 228 and 242 of the General Corporation Law of the State of Delaware.

Executed on this 12 day of September, 2001.

By: // Lance J.M. Steinhart, Esquire //
Name: Lance J.M. Steinhart, Esquire
Title: Authorized Representative of the Company

EXHIBIT B - CERTIFICATE OF AUTHORITY

State of South Dakota

OFFICE OF THE SECRETARY OF STATE

Certificate of Authority

ORGANIZATIONAL ID #: FB025517

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

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

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this September 25, 2001.

Joyce Hazeltine

Joyce Hazeltine
Secretary of State

Secretary of State
State Capitol
500 E. Capitol Ave.
Pierre SD 57501
Phone 605-773-4845
Fax 605-773-4550

FILE NO. ____________

RECEIPT NO. ____________

RECEIVED
SEP 25 '01
S.D. SEC. OF STATE

Application for Certificate of Authority

Pursuant to the provisions of SDCL 47-8-7, the undersigned corporation hereby applies for a Certificate of Authority to transact business in the State of South Dakota and for that purpose submits the following statement:

25 Sept 01

(1) The name of the corporation is TalkNow, Inc.
(exact corporate name)

(2) If the name of the corporation does not contain the word "corporation", "company", "incorporated" or "limited" or does not contain an abbreviation of one of such words, then the name of the corporation with the word or abbreviation which it elects to add thereto for use in this state is ____________

(3) State where incorporated Delaware Federal Taxpayer ID# 22-3252913

(4) The date of its incorporation is July 26, 2000 and the period of its duration, which may be perpetual, is Perpetual.

(5) The address of its principal office in the state or country under the laws of which it is incorporated is
1209 Orange Street, Wilmington, DE 19801 Zip Code ____________
mailing address if different from above is:
____________ Zip Code ____________

(6) The street address, or a statement that there is no street address, of its proposed registered office in the State of South Dakota is
319 West Third Pierre SD Zip Code 57501
and the name of its proposed registered agent in the State of South Dakota at that address is National Corporate Research, Ltd.

(7) The purposes which it proposes to pursue in the transaction of business in the State of South Dakota are: (state specific purpose)
Provide Telecommunication Services

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

Name	Officer Title	Street Address	City	State	Zip
See Attached					

(9) The aggregate number of shares which it has authority to issue, itemized by classes, par value of shares, shares without par value, and series, if any, within a class is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
1,000	Common		.001

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

Number of shares	Class	Series	Par value per share or statement that shares are without par value
1,000	Common		.001

(11) The amount of its stated capital is $ 1.00
Shares issued times par value equals stated capital. In the case of no par value stock, stated capital is the consideration received for the issued shares.

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

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

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

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

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

Dated 9/20 19 01

(Signature)

President

(Title)

STATE OF UTAH

COUNTY OF SALT LAKE

I, SUZANNE G. THOMAS, a notary public, do hereby certify that on this 20th day of SEPT. 2001, personally appeared before me Gary Wasserson who, being by me first duly sworn, declared that he/she is the PRES. of TALKNOW, INC., that he/she signed the foregoing document as officer of the corporation, and the statements therein contained are true.

11/15/01

My Commission Expires

(Notary Public)

Notarial Seal

Notary Public
SUZANNE G. THOMAS
2187 S Wilmington Cir
SLC, Utah 84109
My Commission Expires
November 15, 2001
State of Utah

The Consent of Appointment below must be signed by the registered agent listed in number six.

Consent of Appointment by the Registered Agent

I, National Corporate Research, Inc. Lance Steinhart, hereby give my consent to serve as the registered
(name of registered agent)
agent for TalkNow, Inc.
(corporate name)

Dated 9/24/01 19 ____

(signature of registered agent)

The proper filing fee must accompany the application. Make checks payable to the Secretary of State.

FEE SCHEDULE

Authorized capital stock of	25,000	or less	$ 90
Over $25,000 and not exceeding	100,000		110
Over $100,000 and not exceeding	500,000		130
Over $500,000 and not exceeding	1,000,000		150
Over $1,000,000 and not exceeding	1,500,000		200
Over $1,500,000 and not exceeding	2,000,000		250
Over $2,000,000 and not exceeding	2,500,000		300
Over $2,500,000 and not exceeding	3,000,000		350
Over $3,000,000 and not exceeding	3,500,000		400
Over $3,500,000 and not exceeding	4,000,000		450
Over $4,000,000 and not exceeding	4,500,000		500
Over $4,500,000 and not exceeding	5,000,000		550

For each additional $500,000, $40 in addition to $550.
For purposes only of computing fees under this section, the dollar value of each authorized share having a par value shall be equal to par value and the value of each authorized share having no par value shall be equal to one hundred dollars per share. The maximum amount charged under this subdivision may not exceed sixteen thousand dollars.

FILING INSTRUCTIONS:

The application must be signed, in the presence of a notary public, by the chairman of the board of directors, or its president, or any other officer. **One original and one photocopy of the application must be submitted.**

The application must be accompanied by an **original, currently dated, CERTIFICATE OF FACT** or a **CERTIFICATE OF GOOD STANDING** from the Secretary of State in the state where incorporated. A photocopy of a certificate is not acceptable. It should be dated within ninety (90) days of submitting it to our office.

South Dakota law requires every corporation to continuously maintain a resident of this state as the registered agent (number six on the application). The registered agent's address is considered the registered office address of the corporation in South Dakota. A complete street address must be listed for service of process.

The Consent of Registered Agent portion must be signed by the South Dakota registered agent.

Mail the application, certificate, and filing fee to the Secretary of State, Corporate Division, 500 E. Capitol Avenue, Pierre, SD 57501-5070. The duplicate and a Certificate of Authority will be returned for your records.

LIST OF OFFICERS & DIRECTORS OF TALKNOW, INC.

Officers

Gary Wasserson	President, Secretary & CEO
Allan Silber	Treasurer

Directors

Gary Wasserson
Allan Silber

All the above referenced Officers & Directors can be reached at:
9775 Business Park Avenue, San Diego, CA 92131

EXHIBIT C - MARKETING MATERIAL
Not Available

EXHIBIT D - FINANCIAL INFORMATION

AUDITORS' REPORT

To the Shareholders of
Counsel Corporation:

We have audited the consolidated balance sheet of Counsel Corporation as at December 31, 2000 and the consolidated statements of earnings, comprehensive income, shareholders' equity and cash flows for the year 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 audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States ("U.S. GAAP").

On March 26, 2001, we reported separately to the shareholders of the Company on consolidated financial statements for the same period, prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The consolidated financial statements of the Company as at December 31, 1999 and for the years ended December 31, 1999 and 1998 prepared in accordance with Canadian GAAP (including a reconciliation to U.S. GAAP), prior to adjustments to present them in accordance with U.S. GAAP as described in *Note 1*, were audited by other auditors who expressed an opinion without reservation on those statements in their report dated April 7, 2000. We have audited the adjustments to the financial statements as at December 31, 1999 and for the years ended December 31, 1999 and 1998, and in our opinion, such adjustments, in all material respects, are appropriate and have been properly applied.

Arthur Andersen LLP
Chartered Accountants

Toronto, Canada
March 26, 2001

(in 000s of US$) December 31

	2000	1999
ASSETS		
Current assets		
Cash and cash equivalents	$ 52,220	$ 15,989
Trading securities *(Notes 2 and 6)*	67,897	73,589
Amounts receivable	3,414	2,584
Income taxes recoverable	2,112	4,212
Deferred income tax assets *(Note 11)*	785	1,423
Other assets *(Note 3)*	4,071	4,207
Discontinued assets *(Note 12)*	77,239	127,317
	207,738	229,321
Long term assets		
Other assets *(Note 3)*	21,851	24,155
Investment in significantly influenced corporations *(Note 4)*	15,783	9,735
Long term care facilities *(Note 5)*	14,248	15,805
	$ 259,620	$ 279,016
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued charges	$ 14,189	$ 18,727
Deferred revenue	735	995
Note payable *(Note 6)*	13,333	–
Mortgages and loans payable *(Note 7)*	251	256
Discontinued liabilities *(Note 12)*	40,728	13,030
	69,236	33,008
Long term liabilities		
Deferred revenue	1,449	1,923
Note payable *(Note 6)*	26,667	40,000
Mortgages and loans payable *(Note 7)*	19,775	20,412
Debentures payable *(Note 8)*	48,501	50,000
Deferred income taxes *(Note 11)*	11,848	15,653
	177,476	160,996
Shareholders' equity	82,144	118,020
	$ 259,620	$ 279,016

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board

Allan Silber,
Director

Morris Perlis,
Director

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In 000s of US$) For the years ended December 31

	Capital Stock *(Note 9)* No. of Shares (In 000s)	Capital Stock *(Note 9)* Amount	Additional Paid in Capital	Accumulated Comprehensive Income	Retained Earnings (Deficit)	Total Shareholders' Equity
Balance December 31, 1997	27,947	$ 119,572	$ –	$ –	$ 8,014	$ 127,586
Shares issued	90	640	–	–	–	640
Shares purchased for cancellation	(336)	(1,476)	–	–	(1,251)	(2,727)
Stock option compensation	–	(192)	–	–	–	(192)
Income tax benefit on employee stock options	–	–	–	–	236	236
Net loss	–	–	–	–	(25,805)	(25,805)
Balance December 31, 1998	27,701	118,544	–	–	(18,806)	99,738
Shares issued	20	32	–	–	–	32
Shares purchased for cancellation	(2,188)	(8,072)	–	–	(5,660)	(13,732)
Employee share purchase loans	–	(1,319)	–	–	–	(1,319)
Other comprehensive income	–	–	–	9,393	–	9,393
Dividends	–	–	–	–	(26,357)	(26,357)
Net earnings	–	–	–	–	50,265	50,265
Balance December 31, 1999	25,533	109,185	–	9,393	(558)	118,020
Shares issued	92	143	–	–	–	143
Shares purchased for cancellation	(1,688)	(6,942)	2,220	–	(8)	(4,730)
Gain on issuances of stock by significantly influenced corporations	–	–	–	–	366	366
Other comprehensive income	–	–	–	(9,178)	–	(9,178)
Dividends	–	–	–	–	(1,791)	(1,791)
Net loss	–	–	–	–	(20,686)	(20,686)
Balance December 31, 2000	23,937	$ 102,386	$ 2,220	$ 215	$ (22,677)	$ 82,144

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In 000s of US$) For the years ended December 31

	2000	1999	1998
Net earnings (loss)	$ (20,686)	$ 50,265	$ (25,805)
Other comprehensive income			
Unrealized holding gains (losses) arising during the year	(6,872)	9,393	–
Reclassification adjustment for gains included in net loss	(2,306)	–	–
	(9,178)	9,393	–
Comprehensive income (loss)	$ (29,864)	$ 59,658	$ (25,805)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

(In 000s of US$ except per share amounts) For the years ended December 31

	2000	1999	1998
Revenues			
Long term care	$ 32,045	$ 31,275	$ 31,112
Medical products	2,924	3,091	251
Clinical laboratory	–	–	9,142
Interest and other income	2,638	7,203	10,004
	37,607	41,569	50,509
Cost of medical products sold	2,306	1,834	130
Cost of clinical laboratory products sold	–	–	6,706
Operating expenses			
Long term care	31,289	30,594	29,900
Medical products	4,056	3,700	256
Clinical laboratory	–	–	1,970
Earnings (loss) before undernoted items	(44)	5,441	11,547
Gain on sale of trading and available for sale securities *(Note 2)*	8,142	–	–
Market value adjustment on trading securities *(Note 2)*	44,192	(143,776)	(981)
Earnings (loss) before undernoted expenses	52,290	(138,335)	10,566
Corporate	4,300	3,433	3,008
Amortization	2,114	1,949	1,684
Interest	4,335	4,954	2,910
Earnings (loss) before losses of significantly influenced corporations and writedown of investments	41,541	(148,671)	2,964
Equity in losses of significantly influenced corporations	(9,547)	(265)	–
Writedown of investments	(3,430)	(5,423)	–
Earnings (loss) before income taxes and minority interest	28,564	(154,359)	2,964
Income taxes (recovered) *(Note 11)*	15,174	(55,421)	(1,215)
Minority interest	–	(1,663)	(13)
Earnings (loss) from continuing operations	13,390	(97,275)	4,192
Earnings (loss) from discontinued operations *(Note 12)*	(34,567)	147,540	(29,997)
Earnings (loss) before extraordinary item	(21,177)	50,265	(25,805)
Gain on retirement of convertible debentures net of deferred income taxes of $131	491	–	–
Net earnings (loss)	$ (20,686)	$ 50,265	$ (25,805)
Earnings (loss) per common share – basic			
Earnings (loss) from continuing operations	$ 0.54	$ (3.71)	$ 0.15
Earnings (loss) from discontinued operations	(1.39)	5.62	(1.08)
Extraordinary item	0.02	–	–
Net earnings (loss) – basic	$ (0.83)	$ 1.91	$ (0.93)
Earnings (loss) per common share – diluted			
Earnings (loss) from continuing operations	$ 0.54	$ (3.71)	$ 0.15
Earnings (loss) from discontinued operations	(1.39)	5.62	(1.08)
Extraordinary item	0.02	–	–
Net earnings (loss) – diluted	$ (0.83)	$ 1.91	$ (0.93)
Weighted average number of common shares outstanding (in 000s)	24,860	26,258	27,881

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In 000s of US$) For the years ended December 31

	2000	1999	1998
Cash provided by (used in) operating activities			
Net earnings (loss)	$ (20,686)	$ 50,265	$ (25,805)
Non-cash items included in net earnings			
(Earnings) loss from discontinued operations	34,567	(147,540)	29,997
Gain on retirement of debentures payable	(491)	–	–
Writedown of investments	3,430	5,423	–
Gain on sale of trading and available for sale securities	(8,142)	–	–
Gain on sale of other assets	(302)	(1,492)	(2,232)
Market value adjustment on trading securities	(44,192)	143,776	981
Amortization	2,114	1,949	1,684
Amortization of deferred revenue	(735)	(1,057)	(1,703)
Amortization of deferred finance costs	178	178	178
Deferred income taxes (benefits)	16,746	(52,542)	(181)
Minority interest	–	(1,663)	(13)
Equity in losses of significantly influenced corporations	9,547	265	–
Sale (acquisition) of trading securities	54,334	(5,143)	–
Decrease (increase) in amounts receivable	(830)	814	130
Decrease (increase) in income taxes recoverable	1,020	(1,098)	(1,028)
Decrease (increase) in other assets	(1,312)	4,665	(808)
Increase (decrease) in accounts payable	(4,620)	7,036	1,704
Net cash provided by operating activities	40,626	3,836	2,904
Cash provided by (used in) investing activities			
Investment in significantly influenced corporations	(15,982)	(10,000)	–
Investment in available for sale securities	(3,700)	(3,013)	–
Other investments	(1,137)	(3,759)	(3,937)
Mortgages and other advances – repayments	1,679	–	436
Mortgages and other advances – lending	(7,653)	(747)	–
Proceeds on sale of investments	5,621	3,661	2,439
Discontinued operations	(2,152)	157,912	(83,580)
Net cash provided by (used in) investing activities	(23,324)	144,054	(84,642)
Cash provided by (used in) financing activities			
Mortgages and loans payable – repayments	(4,055)	(4,312)	–
Mortgages and loans payable – borrowings	3,507	–	4,055
Shares purchased for cancellation	(4,730)	(13,732)	(2,727)
Retirement of debentures payable	(877)	–	–
Proceeds from exercise of stock options	84	32	640
Dividends paid	–	(26,357)	–
Discontinued operations	25,000	(91,704)	75,500
Net cash provided by (used in) financing activities	18,929	(136,073)	77,468
Increase (decrease) in cash and cash equivalents	36,231	11,817	(4,270)
Cash and cash equivalents, beginning of year	15,989	4,172	8,442
Cash and cash equivalents, end of year	$ 52,220	$ 15,989	$ 4,172
Supplemental disclosure of cash flow information			
Cash paid (received) during the year for items relating to continuing operations			
Interest	$ 4,122	$ 5,283	$ 5,604
Income tax refunds	$ (1,308)	$ (1,082)	–
Income tax payments	–	$ 3,505	–
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 these consolidated financial statements.

1. Summary of significant accounting policies

Basis of presentation

These statements are presented in addition to the Company's primary financial statements, which are prepared in accordance with Canadian GAAP. By presenting these additional financial statements, management aims at assisting U.S. readers in comparing the operating results of the Company and its financial position to those of its peers. This is the first year that management has prepared a full set of financial statements in accordance with U.S. GAAP. In prior years, management prepared its financial statements in accordance with Canadian GAAP which included a note reconciling net earnings (loss) between Canadian and U.S. GAAP and provided the additional disclosures required by U.S. GAAP. The U.S. GAAP information included in those notes has been used to prepare the 1999 and 1998 statements in accordance with U.S. GAAP.

Consolidated subsidiaries

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

Significantly influenced corporations

Corporations over which control does not exist but significant influence is exercised are accounted for using the equity method.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 those estimates.

Translation of foreign currencies

The Company's functional currency is the U.S. dollar. Accordingly, the monetary accounts of foreign entities are translated into U.S. dollars at the exchange rate prevailing at the year end and the non-monetary accounts are translated at historical rates. Revenues and expenses are translated at average exchange rates during the year. Exchange gains or losses arising from the translation of operations have been included in earnings.

Cash and cash equivalents

Cash and cash equivalents comprises cash and short term market investments with original maturities of three months or less. At December 31, 2000 cash equivalents were $45,500 (1999 – $11,700).

Trading securities

Trading securities are carried at market value. Unrealized gains and losses in value are included in the determination of earnings as market value adjustments.

Available for sale securities

Available for sale securities are carried at market value. Realized gains and losses, including declines in value that are judged to be non-temporary, are included in the determination of earnings. Unrealized gains and losses are recorded, net of tax, as a component of comprehensive income.

Financial instruments

The carrying amounts reported on the balance sheets for cash and cash equivalents, amounts receivable, accounts payable and accrued charges and note payable approximate their fair values because of the immediate or short term maturity of these financial instruments. The fair values of other financial instruments are disclosed in *Notes 2, 8 and 13*. The estimated fair value of trading and available for sale securities is based on quoted market values at year end. 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.

Amortization

Long term care facilities are recorded at the lower of cost and estimated net recoverable amount. Amortization is provided using the straight-line method over 23 years.

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

Financing costs are amortized over the term of the related debt.

Goodwill, which represents the excess of purchase price over fair value of tangible and identifiable intangible net assets acquired, is amortized on a straight-line basis over the expected periods to be benefited, generally 10 years. The Company assesses the recoverability of this intangible asset by determining whether the amortization of the goodwill balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired operation. If an impairment is identified, the amount of goodwill impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds. The assessment of the recoverability of goodwill will be impacted if estimated future operating cash flows are not achieved.

Deferred revenue

Deferred revenue, arising from the disposition of certain long term care leasehold interests in 1994, is being amortized on a straight-line basis over 10 years.

Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of the existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Stock-based compensation plans

The Company has stock-based compensation plans, which are described in *Note 10*. The Company, as permitted by SFAS 123 "Accounting for Stock-Based Compensation," has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in APB 25 "Accounting for Stock Issued to Employees." Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's common shares at the date of grant over the amount an employee must pay to acquire the common shares. The Company has adopted the disclosure requirements of SFAS 123.

Reclassifications

Certain comparative figures have been reclassified to conform to the current year's basis of presentation.

2. Trading securities

Summarized below is selected financial information relating to trading securities at December 31:

	Number of Shares (in 000s)		Carrying Amount	
	2000	1999	2000	1999
Bergen Brunswig Corporation ("Bergen") *(i)*	4,239	7,832	$ 67,110	$ 65,090
RioCan REIT	–	1,309	–	7,841
Other	–	–	787	658
			$ 67,897	$ 73,589

(i) The Company's interest in Bergen was acquired in 1999 as partial consideration for the sale of its wholly owned subsidiary Stadtlander Drug Company, Inc. ("Stadtlander") and the exchange of the Company's interest in PharMerica, Inc. ("PharMerica"). The Company's initial accounting basis for the combined Bergen interest was $207,174 or $26.45 per share.

During 1999 a market value adjustment of $142,084, based on the December 31, 1999 per share market price of $8.31, was recorded. During 2000, the Company sold 3,593,000 shares of Bergen for proceeds of $46,833 realizing a gain of $4,837. In addition, a market value adjustment of $43,727, based on the December 31, 2000 per share market price of $15.83, was recorded.

3. Other assets

	2000	1999
Mortgages and other advances *(i)*	$ 9,630	$ 3,349
Available for sale securities	6,639	12,407
Goodwill (net of amortization of $865; 1999 – $554)	2,755	2,820
Capital assets (net of amortization of $1,009; 1999 – $982)	1,845	1,990
Other	5,053	7,787
	25,922	28,362
Less – current portion	(4,071)	(4,207)
	$ 21,851	$ 24,155

(i) During the year, the Company entered into an agreement to acquire a majority interest in Nexbell Communications Inc. ("Nexbell"), subject to certain conditions. At December 31, 2000, the Company had advanced $6,120 pursuant to an interest-bearing revolving credit facility.

Subsequent to the year end, the Company concluded its purchase, acquiring a 97.5% interest for cash consideration of $1,500 and has increased its advances under the credit facility to approximately $7,926.

4. Investment in significantly influenced corporations

	Ownership		Carrying Amount		Equity in Losses	
	2000	1999	2000	1999	2000	1999
Impower, Inc. *(i)*	33.6%	25.2%	$ 10,340	$ 9,735	$ (4,504)	$ (265)
Proscape Technologies, Inc. *(ii)*	36.0	–	3,071	–	(2,114)	–
IBT Technologies, Inc. *(iii)*	27.7	–	2,372	–	(1,856)	–
Core Communications Corporation *(iv)*	–	–	–	–	(1,073)	–
			$ 15,783	$ 9,735	$ (9,547)	$ (265)

Equity in losses includes amortization of goodwill attributable to the Company's acquisition of significantly influenced corporations of $2,965 (1999 – $294).

(i) *Impower, Inc. ("Impower")*

Impower provides transaction-based Internet direct marketing and electronic database management products and services. On October 22, 1999, the Company acquired a 25.2% interest in Impower for cash consideration of $10,000. The cost of the acquisition was allocated on the basis of the fair market value of assets acquired ($2,893) and liabilities assumed ($445), resulting in $7,552 of unallocated excess of cost over net assets acquired, which is being amortized over a period of five years.

On June 22, 2000, the Company increased its interest in Impower from 25.2% to 33.6% for cash consideration of $5,109. The cost of the acquisition was allocated on the basis of the fair market value of assets acquired ($3,057) and liabilities assumed ($745), resulting in $2,797 of increased unallocated excess of cost over the net assets acquired, which is being amortized over a period of five years.

On February 28, 2001, the Company advanced $2,000 to Impower pursuant to a promissory note secured by the assets of Impower and convertible into convertible preferred stock of Impower under certain circumstances.

(ii) *Proscape Technologies, Inc. ("Proscape")*

Proscape develops, markets and supports marketing and sales information systems for middle and Fortune 1000 companies. On January 20, 2000, the Company acquired a 31.5% interest in Proscape for cash consideration of $4,001. On October 24, 2000, Proscape successfully completed a private placement involving the Company and third party investors. Pursuant to this private placement, the Company acquired a further 4.5% interest for cash consideration of $1,140 resulting in a 36% interest at December 31, 2000. Proscape stock issuances pursuant to this third party participation resulted in a dilution gain of $44, which is reflected as a component of shareholders' equity. The cost of these acquisitions was allocated on the basis of the fair market value of the assets acquired ($2,672) and the liabilities assumed ($1,098). These valuations gave rise to $3,567 of unallocated excess of cost over net assets acquired, which is being amortized over a period of five years.

On February 16, 2001, the Company increased its interest in Proscape to 52%, on a fully diluted basis, for cash consideration of $2,648.

(iii) ***IBT Technologies, Inc. ("IBT")***

IBT is an application service provider that develops, deploys and supports media-rich e-learning products and services delivered over the Internet for business training and post-secondary educational applications. On March 27, 2000, the Company acquired a 26.7% interest in IBT for cash consideration of $4,000. On August 15, 2000, a further 1% interest was acquired for cash consideration of $222 resulting in a 27.7% interest at December 31, 2000. The cost of these acquisitions was allocated on the basis of the fair market value of the assets acquired ($1,745) and the liabilities assumed ($151). These valuations gave rise to $2,628 of unallocated excess of cost over net assets acquired, which is being amortized over a period of five years.

Subsequent to December 31, 2000, the Company provided a commitment to fund up to $900 to IBT against which $608 has been advanced to date. A third party investor has matched the Company's commitment and current advances. It is the intention of the Company and the third party to convert their promissory notes to convertible preferred stock of IBT upon completion of a new round of equity financing, which is expected to close by May 2001.

(iv) ***Core Communications Corporation ("Core")***

Core provides managed network services for high-speed data communications in hotel and convention meeting spaces. On March 28, 2000, the Company acquired a 32.6% interest in Core for cash consideration of $1,833. On December 29, 2000, Core successfully completed an equity financing in which the Company did not participate. The stock issuances pursuant to this equity financing resulted in a dilution gain of $322 which is reflected as a component of shareholders' equity. As a result, the Company's interest in Core was diluted to 12.9% and, consequently, its investment in Core has been classified as an available for sale security as it no longer exercises significant influence over the business activities of Core.

5. Long term care facilities

	2000	1999
Land	$ 2,226	$ 2,226
Buildings and improvements	28,439	28,439
Equipment	4,341	4,341
Accumulated amortization	(20,758)	(19,201)
	$ 14,248	$ 15,805

6. Note payable

	2000	1999
Note payable	$ 40,000	$ 40,000
Less – current portion	(13,333)	-
Long term portion	$ 26,667	$ 40,000

On December 15, 1998, a vendor note in the amount of $40,000 was assumed as part of the consideration for the acquisition of all rights to certain pharmaceutical products by FARO Pharmaceuticals, Inc. ("FARO"). The note is payable in equal principal quarterly installments of $3,333, 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, 2000 the LIBOR was 6.4%. At December 31, 2000, the note was secured by the pledge of 4,063,000 shares of Bergen.

7. Mortgages and loans payable

Mortgages and loans payable are secured by long term care facilities and bear interest at rates ranging from 7.93% to 8.55% (1999 – 7.93% to 8.55%) with a weighted average year end rate of 8.30% (1999 – 8.30%) and are repayable as follows:

2001	$ 251
2002	7,194
2003	163
2004	163
2005	7,081
Thereafter	5,174
	$ 20,026

Approximately 63.4% (1999 – 64.5%) of mortgages and loans payable are repayable in Canadian dollars.

8. Debentures payable

	2000	1999
Debentures payable	**$ 48,501**	$ 50,000

On October 31, 1996, the Company issued $50,000 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.

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 115% of the conversion price if notice to redeem is given 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 $11.47 per share.

During 2000, pursuant to normal course issuer bids, the Company purchased for cancellation $1,499 of debentures for cash consideration of $877, resulting in a gain of $491, after tax of $131. Subsequent to December 31, 2000 the Company purchased for cancellation an additional $1,960 of debentures for cash consideration of $1,022.

The fair value of the debentures based on their quoted market price at December 31, 2000 was $26,676 (1999 – $29,000).

9. Capital stock

The authorized capital stock consists of an unlimited number of common and preferred shares.

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.

During 2000, pursuant to normal course issuer bids, the Company acquired 1,688,000 (1999 – 2,188,000) common shares.

Deducted from capital stock are non-interest bearing loans of $2,595 due from employees for the purchase of 1,242,000 shares of the Company having a market value of $2,071 at December 31, 2000. These loans have various maturity dates ranging from June 28, 2002 to January 19, 2006.

10. Stock-based compensation plans

At December 31, 2000, the Company had three stock-based compensation plans, comprising two fixed stock option plans and one share purchase plan.

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 six 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 and changes during the year is presented below:

	2000		1999		1998	
	Number of Shares (000s)	Weighted Average Exercise Price (in C$)	Number of Shares (000s)	Weighted Average Exercise Price (in C$)	Number of Shares (000s)	Weighted Average Exercise Price (in C$)
Fixed stock options						
Outstanding at beginning of year	3,570	$ 14.11	3,119	$ 14.76	3,146	$ 14.58
Granted	564	6.63	447	10.17	73	14.54
Exercised	(92)	2.30	(20)	2.40	(50)	11.74
Forfeited	(850)	14.46	(6)	17.53	(50)	13.66
Outstanding at end of year	3,192	$ 13.04	3,570	$ 14.21	3,119	$ 14.76
Options exercisable at end of year	2,173	$ 13.91	2,961	$ 14.74	2,847	$ 14.75

The following table summarizes the fixed stock options outstanding and exercisable at December 31, 2000:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices (in C$)	Number Outstanding (000s)	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price (in C$)	Number Exercisable (000s)	Weighted Average Exercise Price (in C$)
$4.05 to $5.70	257	5.02	$ 5.61	132	$ 5.77
$7.65 to $10.40	693	4.30	8.73	253	8.89
$12.40 to $15.20	1,388	2.01	13.71	1,177	13.94
$16.40 to $18.00	854	2.19	17.72	611	17.70
$4.05 to $18.00	3,192	2.79	$ 13.04	2,173	$ 13.91

As permitted under SFAS 123, the Company has elected to continue to measure its stock option plans using the intrinsic value method prescribed by APB 25. The application of APB 25 did not result in the recognition of compensation expense.

Had compensation cost for these plans been determined using the fair value method consistent with SFAS 123, the Company's net earnings (loss) and earnings (loss) per share would have been as follows:

	2000	1999	1998
Net earnings (loss)	$ (21,266)	$ 46,919	$ (28,653)
Net earnings (loss) per common share – basic	$ (0.86)	$ 1.79	$ (1.02)
Net earnings (loss) per common share – diluted	$ (0.86)	$ 1.79	$ (1.02)

As a result of SFAS 123 not being applied to options granted prior to January 1, 1995, the resulting pro forma compensation cost may not be representative of expected cost in future years.

The fair value of each option is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 2000, 1999 and 1998, respectively: risk-free interest rates of 6.3%, 6.3% and 5.1%; expected dividend yields of 0%, 0% and 0%; expected lives of six years, six years and six years; and expected volatility of 65.5%, 48.7% and 49.2%.

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 9)*.

11. Income taxes

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

	2000	1999	1998
Earnings (loss) before income taxes and minority interest	$ 28,564	$(154,359)	$ 2,964
Income taxes (recovered), based on statutory tax rates of 42.12% (1999 and 1998 – 44.62%)	$ 12,031	$ (68,875)	$ 1,323
Increase (decrease) in taxes resulting from:			
Losses not tax affected	6,503	1,936	878
Lower effective tax rate of foreign subsidiaries	(3,639)	13,427	285
Non-deductible transactions	331	1,185	1,975
Utilization of losses carried forward	–	(3,183)	(5,687)
Large corporation tax (recovered)	(52)	89	11
Actual income taxes (recovered)	$ 15,174	$ (55,421)	$ (1,215)
Represented by:			
Current (recovery)	$ (1,520)	$ 215	$ 4,642
Deferred (recovery)	16,746	(52,542)	(181)
Utilization of losses carried forward	–	(3,183)	(5,687)
Large corporation tax (recovery)	(52)	89	11
	$ 15,174	$ (55,421)	$ (1,215)

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

	2000	1999	1998
Canada			
Current (recovery)	$ (52)	$ 108	$ 27
Deferred (recovery)	1,116	(3,900)	88
	$ 1,064	$ (3,792)	$ 115
United States			
Current (recovery)	$ (1,520)	$ (2,987)	$ (1,061)
Deferred (recovery)	15,630	(48,642)	(269)
	$ 14,110	$ (51,629)	$ (1,330)
Total			
Current (recovery)	$ (1,572)	$ (2,879)	$ (1,034)
Deferred (recovery)	16,746	(52,542)	(181)
	$ 15,174	$ (55,421)	$ (1,215)

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

	2000	1999
Current deferred tax asset:		
Revenue recognition	$ 247	$ 305
Accrued charges currently not deductible for tax	(193)	458
Other	853	795
Valuation reserve	(122)	(135)
Net current deferred tax asset	$ 785	$ 1,423
Long term deferred tax asset:		
Revenue recognition	$ 478	$ 716
Basis differences of investments	-	5,450
Basis differences of property	238	90
Cost recognition	323	269
Other net losses available for carryforward	7,899	3,271
Valuation reserve	(7,406)	(9,394)
	1,532	402
Long term deferred tax liability:		
Basis differences of investments	(13,380)	(16,055)
Net long term deferred tax liability	$ (11,848)	$ (15,653)

Cumulatively, the Company has net operating losses for carryforward aggregating approximately $4,500 which are available for the reduction of future years' taxable incomes. In addition, the Company and its subsidiaries have capital losses aggregating approximately $47,400 available for application against future capital gains. These losses have no expiry date. Included in the $65,836 in income taxes on the gain from the sale of Stadtlander to Bergen in 1999 *(see Note 12)* is a reduction in current income taxes of $18,000 resulting from the Company's application of income tax losses on certain investments which the Company believes are deductible.

12. Discontinued operations

The composition of earnings (loss) from discontinued operations is as follows:

	2000	1999	1998
Discontinued pharmaceutical products operations *(i)*	$ (32,931)	$ 6,097	$ 826
Discontinued pharmacy services operations *(ii)*	(1,035)	155,972	2,279
Discontinued home health care operations *(iii)*	(601)	(14,529)	(33,102)
	$ (34,567)	$ 147,540	$ (29,997)

(i) ***Discontinued pharmaceutical products operations***

Effective May 23, 2000, the Company adopted a plan to dispose of the pharmaceutical products business of FARO Pharmaceuticals, Inc. through the disposition of its rights, including trademarks, copyrights and regulatory filings to certain pharmaceutical products. On January 17, 2001, the Company entered into a definitive agreement to sell its rights to these pharmaceutical products. Accordingly, the Company reflected the results of operations to May 23, 2000 from this business as discontinued operations and the Company has adjusted the carrying value of its investment in the pharmaceutical products business to reflect both the operations subsequent to measurement date and the estimated net realizable value of its investment.

Summarized below is selected financial information for discontinued pharmaceutical products operations for 2000, 1999 and 1998:

	2000	1999	1998
Revenues	$ 11,223	$ 33,941	$ 3,127
Earnings (loss) before income taxes	$ (830)	$ 7,914	$ 728
Income taxes	12	1,233	-
Minority interest	(197)	584	(98)
Earnings (loss) from operations to measurement date	(645)	6,097	826
Loss subsequent to measurement date after income taxes recovered of $18,958	(32,286)	-	-
Earnings (loss) from discontinued operations	$ (32,931)	$ 6,097	$ 826

Results of discontinued operations both before and after measurement date include an allocation of interest expense relating to general corporate debt attributable to the discontinued operation.

(ii) ***Discontinued pharmacy services operations***

Discontinued pharmacy services operations include the specialty retail pharmacy business of Stadtlander and the Company's interest in the institutional pharmacy business of PharMerica. On January 21, 1999 the Company sold Stadtlander to Bergen for net sale proceeds of $333,852, comprising $171,374 in cash and $162,478 in stock, consisting of 5,676,101 common shares of Bergen. The disposition resulted in a gain of $194,364 after income taxes of $65,836.

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 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 after an income tax recovery of $3,147.

Summarized below is selected financial information for discontinued pharmacy services operations at December 31:

	2000	1999	1998
Revenues	$ -	$ -	$ 395,371
Earnings before income taxes	$ -	$ -	$ 8,153
Income taxes	-	-	5,874
Earnings from operations to measurement date	-	-	2,279
Earnings (loss) subsequent to measurement date	(1,035)	155,972	-
Earnings (loss) from discontinued operations	$ (1,035)	$ 155,972	$ 2,279

Results of discontinued operations both before and after measurement date include an allocation of interest expense relating to general corporate debt attributable to the discontinued operation.

(iii) ***Discontinued home health care operations***

Effective November 6, 1998, the Company adopted a plan to dispose all 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 and, as an alternative, the Company sought and received regulatory approval to distribute the shares as a dividend in kind. At December 31, 1999, the Company adjusted the carrying value of its investment in AHOM to $0.60 per share, resulting in an estimated after tax loss of $14,529. The market value at the time the dividend was paid declined to $0.45 per share and a further after tax loss of $601 was recorded in 2000.

Summarized below is selected financial information for discontinued home health care operations at December 31:

	2000	1999	1998
Revenues	$ –	$ –	$ 91,890
Loss before income taxes	$ –	$ –	$ (2,382)
Income tax recoveries	–	–	(827)
Loss from operations to measurement date	–	–	(1,555)
Loss subsequent to measurement date	(601)	(14,529)	(31,547)
Loss from discontinued operations	$ (601)	$ (14,529)	$ (33,102)

Results of discontinued operations both before and after measurement date include an allocation of interest expense relating to general corporate debt attributable to the discontinued operation.

13. Financial instruments

Fair value

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

	2000		1999	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgages and other advances	$ 9,630	$ 9,226	$ 3,350	$ 3,182
Mortgages and loans payable	20,026	20,422	20,668	22,101

Guarantees

The Company has guaranteed the repayment of certain mortgages, of which $27,802 expire in 2004 and $18,600 expire in 2015. Management believes that the value of the assets securing these mortgages is sufficient to cover the guarantees provided.

14. Lease commitments

The Company has commitments under long term operating leases, principally for long term care operations, which approximate $3,300 over each of the next five years.

15. Contingent liability

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 net worth of Stadtlander as of the closing date, which would have reduced the final Stadtlander purchase price *(see Note 12 (ii))*. 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 alleged misrepresentation with respect to the sale of Stadtlander.

The Company's initial response was to file a motion to stay the Bergen lawsuit and compel the parties to deal with their dispute through arbitration as mandated by the purchase agreement. Bergen opposed the Company's motion but agreed to enter into negotiations for a stipulated arbitration provision that would significantly expand the scope of the issues and alter the contractual arbitration procedure. However, during these negotiations Bergen announced that it was selling Stadtlander and advised the Company that it could not guarantee the Company access to Stadtlander's historical accounting records for purposes of the arbitration, even though this was a requirement of the purchase agreement. The Company believed that complete and unlimited access to Stadtlander's accounting records was necessary to properly defend itself against Bergen's allegations and concluded that the discovery rights available to it in litigation, but not in arbitration, will significantly increase the likelihood that it will have access to those records. Consequently, the Company decided not to proceed with the stipulated arbitration being negotiated with Bergen and withdrew its motion to compel arbitration.

On September 15, 2000, the Company filed a cross-complaint against Bergen for breach of the purchase agreement and breach of the implied covenant of good faith and fair dealing, along with its response to Bergen's complaint. The Court has set a tentative trial date of August 20, 2001 for hearing the action and written discovery and document discovery have commenced.

On January 11, 2001, Bergen filed an application for a temporary restraining order to prevent the release to the Company of Bergen common shares that were pledged to Glaxo *(see Notes 2 and 6)*. The application was denied but Bergen decided to proceed with a motion for a preliminary injunction to enjoin the Company from selling or otherwise disposing of any of the Bergen shares received on the sale of Stadtlander, pending the resolution of its claims against the Company. Document discovery and depositions with respect to this motion have been or will be taken in February and March 2001. The hearing on the motion is scheduled for April 19, 2001. The Company has sold 2,231,643 of the 5,675,101 shares of Bergen it received on the sale of Stadtlander.

Management believes that Bergen's claims are completely without merit and the Company is defending its position vigorously. However, due to the incipient stage of the litigation, its ongoing status and the necessary uncertainties involved in all litigation, the Company does not believe it is feasible at this time to assess the likely outcome of the litigation, the timing of its resolution, or its ultimate impact, if any, on the Company's financial condition, results of operations and cash flows.

16. Segmented information

The Company manages its business as three operating segments.

During 2000, 1999 and 1998 the Company's continuing operations included the following segments:

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

(b) Sale of medical products in the United States.

(c) Technology services being the provision of Internet direct marketing services, the development and support of sales information systems, the deployment and support of media-rich e-learning products and services, and the provision of managed network services for high-speed data communication to hotel and convention meeting places, all in the United States.

(d) Clinical laboratory, being the provision of clinical laboratory services in the United States.

	Long Term Care *(i)*	Medical Products	Technology Services *(ii)*	Corporate *(iii)*	Total
2000					
Revenues	$ 32,045	$ 2,924	$ –	$ 2,638	$ 37,607
Earnings (loss) before undernoted items	$ 756	$ (3,438)	$ –	$ 2,638	$ (44)
Gain on sale of trading and available for sale securities	–	–	–	8,142	8,142
Market value adjustment on trading securities	–	–	–	44,192	44,192
Earnings (loss) before undernoted expenses	756	(3,438)	–	54,972	52,290
Corporate	–	–	–	4,300	4,300
Amortization	1,527	273	–	314	2,114
Interest	1,993	18	–	2,324	4,335
Earnings (loss) before losses of significantly influenced corporations and writedown of investments	(2,764)	(3,729)	–	48,034	41,541
Equity in losses of significantly influenced corporations	–	–	(9,547)	–	(9,547)
Writedown of investments	–	–	–	(3,430)	(3,430)
Earnings (loss) before income taxes	(2,764)	(3,729)	(9,547)	44,604	28,564
Income taxes (recovered)	(802)	–	(2,011)	17,987	15,174
Segment earnings (loss)	$ (1,962)	$ (3,729)	$ (7,536)	$ 26,617	$ 13,390
Segment assets *(iv)(v)*	$ 15,579	$ 2,637	$ 15,783	$ 147,382	$ 182,381
Capital expenditures	–	–	–	73	73
Other significant non-cash items					
Amortization of deferred revenue	(735)	–	–	–	(735)
Deferred income taxes	(124)	–	(2,011)	18,881	16,746

(i) Long term care earnings include revenues from Canada of $30,694 and from the United States of $1,351.

(ii) Total revenues from significantly influenced corporations are $10,629, of which $3,217 is the Company's proportionate share.

(iii) Corporate earnings include interest income of $2,336.

(iv) Medical products and technology services assets, as well as $2,105 of long term care assets, are located in the United States. The balance of long term care assets of $13,474 are located in Canada.

(v) Segment assets exclude assets of discontinued operations.

	Long Term Care (i)	Medical Products	Technology Services	Corporate (ii)	Total
1990					
Revenues	$ 31,275	$ 3,091	$ –	$ 7,223	$ 41,589
Earnings (loss) before undernoted item	$ 681	$ (2,443)	$ –	$ 7,203	$ 5,441
Market value adjustment on trading securities	–	–	–	(143,776)	(143,776)
Earnings (loss) before undernoted expenses	681	(2,443)	–	(136,573)	(138,335)
Corporate	–	–	–	3,433	3,433
Amortization	1,431	332	–	180	1,943
Interest	1,996	182	–	2,788	4,966
Earnings (loss) before losses of significantly influenced corporation and writedown of investments	(2,746)	(2,957)	–	(142,974)	(148,677)
Equity in losses of significantly influenced corporation	–	–	(265)	–	(265)
Writedown of investments	–	(3,898)	–	(1,505)	(5,403)
Loss before income taxes	(2,746)	(6,855)	(265)	(144,479)	(154,345)
Income taxes recovered	(1,019)	(2,399)	(81)	(51,908)	(55,407)
Segment earnings (loss)	$ (1,727)	$ (4,456)	$ (184)	$ (92,571)	$ (98,938)
Segment assets (iii)(iv)	$ 17,496	$ 4,056	$ 9,735	$ 120,412	$ 151,699
Capital expenditures	–	–	–	63	63
Other significant non-cash items					
Amortization of deferred revenue	(1,097)	–	–	–	(1,097)
Deferred income taxes	(523)	–	–	(51,919)	(52,442)

(i) Long term care earnings include revenues from Canada of $29,924 and from the United States of $1,351.

(ii) Corporate earnings include interest income of $5,711.

(iii) Medical products and technology services assets, as well as $2,995 of long term care assets, are located in the United States. The balance of long term care assets of $14,501 are located in Canada.

(iv) Segment assets exclude assets of discontinued operations.

	Long Term Care *(i)*	Clinical Lab	Medical Products	Corporate *(ii)*	Total
1998					
Revenues	$ 31,112	$ 9,142	$ 251	$ 10,004	$ 50,509
Earnings (loss) before undernoted item	$ 1,212	$ 466	$ (135)	$ 10,004	$ 11,547
Market value adjustment on trading securities	–	–	–	(981)	(981)
Earnings (loss) before undernoted expenses	1,212	466	(135)	9,023	10,566
Corporate	–	–	–	3,008	3,008
Amortization	1,445	35	18	186	1,684
Interest	1,996	73	12	829	2,910
Earnings (loss) before income taxes	(2,229)	358	(165)	5,000	2,964
Income taxes (recovered)	(928)	135	–	(422)	(1,215)
Segment earnings (loss)	$ (1,301)	$ 223	$ (165)	$ 5,422	$ 4,179
Segment assets *(iii)(iv)*	$ 21,615	$ –	$ 4,243	$ 23,156	$ 49,014
Capital expenditures	–	101	–	233	334
Other significant non-cash items					
Amortization of deferred revenue	(1,703)	–	–	–	(1,703)
Deferred income taxes	(141)	(40)	–	–	(181)

(i) Long term care earnings include revenues from Canada of $29,761 and from the United States of $1,351.

(ii) Corporate earnings include interest income of $845.

(iii) Clinical lab and medical products, as well as $5,280 of long term care assets, are located in the United States. The balance of long term care assets of $16,335 are located in Canada.

(iv) Segment assets exclude assets of discontinued operations.

17. Subsequent event

I-Link, Incorporated

I-Link, Incorporated ("I-Link") is an enhanced Internet Protocol voice and data communications services provider. On March 1, 2001, the Company acquired a 65% interest in I-Link for cash consideration of $5,000 and agreed to invest $10,000 in the form of three-year debt convertible into I-Link common shares at a conversion rate of $0.55 per common share.

18. Additional earnings per share disclosures

The following is a reconciliation of the numerators and denominators used in computing basic and diluted earnings per share.

	December 31, 2000		
	Earnings (numerator)	Weighted Average Shares (denominator)	Per Share Amount
Earnings before discontinued operations and extraordinary item	$ 13,390	–	$ –
Basic earnings per share			
Earnings available to common shareholders	$ 13,390	24,860	$ 0.54
Effect of dilutive securities			
Weighted average stock options exercised		16	
Earnings available to common shareholders and assumed conversions	$ 13,390	24,876	$ 0.54

	December 31, 2000		
	Earnings (numerator)	Shares (denominator)	Per Share Amount
Net loss	$ (20,686)	–	$ –
Basic earnings per share			
Earnings available to common shareholders	$ (20,686)	24,860	$ (0.83)
Effect of dilutive securities			
Weighted average stock options exercised		16	
Earnings available to common shareholders and assumed conversions	$ (20,686)	24,876	$ (0.83)

	December 31, 1999		
	Earnings (numerator)	Weighted Average Shares (denominator)	Per Share Amount
Loss before discontinued operations	$ (97,275)	–	$ –
Basic earnings per share			
Earnings available to common shareholders	$ (97,275)	26,258	$ (3.71)
Effect of dilutive securities			
Weighted average stock options exercised	–	–	–
Earnings available to common shareholders and assumed conversions	$ (97,275)	26,258	$ (3.71)

	December 31, 1999		
	Earnings (numerator)	Shares (denominator)	Per Share Amount
Net earnings	$ 50,265	–	$ –
Basic earnings per share			
Earnings available to common shareholders	$ 50,265	26,258	$ 1.91
Effect of dilutive securities			
Weighted average stock options exercised	–	–	–
Earnings available to common shareholders and assumed conversions	$ 50,265	26,258	$ 1.91

	December 31, 1998		
	Earnings (numerator)	Weighted Average Shares (denominator)	Per Share Amount
Earnings before discontinued operations	$ 4,192	–	$ –
Basic earnings per share			
Earnings available to common shareholders	$ 4,192	27,881	$ 0.15
Effect of dilutive securities			
Weighted average stock options exercised	–	94	–
Earnings available to common shareholders and assumed conversions	$ 4,192	27,975	$ 0.15

	December 31, 1998		
	Earnings (numerator)	Shares (denominator)	Per Share Amount
Net loss	$ (25,805)	–	$ –
Basic earnings per share			
Earnings available to common shareholders	$ (25,805)	27,881	$ (0.93)
Effect of dilutive securities			
Weighted average stock options exercised	–	94	–
Earnings available to common shareholders and assumed conversions	$ (25,805)	27,975	$ (0.93)

EXHIBIT E - PROPOSED TARIFF

TELECOMMUNICATIONS SERVICES TARIFF

TITLE SHEET

SOUTH DAKOTA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service or facilities for Telecommunications Services furnished by TalkNow, Inc. ("TalkNow"), with principal offices at 9775 Business Park Avenue, San Diego, California 92131. This tariff applies for services furnished within the State of South Dakota. This tariff is on file with the South Dakota Public Utilities Commission, and copies may be inspected, during normal business hours, at the company's principal place of business.

RESERVED FOR FUTURE USE

CHECK SHEET

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

SHEET	REVISION	SHEET	REVISION
1	Original	31	Original
2	Original	32	Original
3	Original	33	Original
4	Original	34	Original
5	Original	35	Original
6	Original	36	Original
7	Original	37	Original
8	Original	38	Original
9	Original	39	Original
10	Original		
11	Original		
12	Original		
13	Original		
14	Original		
15	Original		
16	Original		
17	Original		
18	Original		
19	Original		
20	Original		
21	Original		
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26	Original		
27	Original		
28	Original		
29	Original		
30	Original		

* New or Revised Sheet

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TARIFF FORMAT

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

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

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

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

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

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

10XXX or 101XXXX Access Code - The Access Code is the 10XXX or 101XXXX Access number.

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

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

Casual Calling - A dialing method that enables a Customer to reach the interexchange carrier of the Customer's choice even if the Customer is not a regular Customer of that carrier. The Customer utilizes a 10XXX or 101XXXX Access Code to make calls, and the Customer does not change its Primary Interexchange Carrier.

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

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

Company or TalkNow - Used throughout this tariff to mean TalkNow, Inc., a Delaware Corporation.

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

DUC - DUC stands for Designated Underlying Carrier.

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.

LEC - LEC stands for Local Exchange Carrier.

Presubscribed Service - A service whereby the Customer can make long distance calls and the Customer must change its Primary Interexchange Carrier to the Company.

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.

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.

U.S.F. - U.S.F. stands for Universal Service Fund.

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 South Dakota. Services are furnished subject to the availability of necessary facilities, equipment and/or billing arrangements with the DUC and/or LEC, and subject to the terms and conditions of this tariff in compliance with limitations set forth in the Commission's rules. Necessary facilities and equipment may include, but are not limited to, facilities or equipment to be provided by the Company, connecting carriers, underlying carriers, owners and operators of transmission capacity leased to the Company or the LEC. The Company's services are provided on a statewide basis and are not intended to be limited geographically, however, all Switched Access services are only available in equal access areas. The selection of the DUC is made solely in the discretion of the Company. The Company offers service to all those who desire to purchase service from the Company consistent with all of the provisions of this tariff. Except for 101XXXX Access Service, Customers interested in the Company's services shall file a service application with the Company which fully identifies the Customer, the services requested and other information requested by the Company. The Company reserves the right to examine the credit record and check the references of all applicants and Customers. The Company may examine the credit profile/record of any applicant prior to accepting the service order. The service application shall not in itself obligate the Company to provide services or to continue to provide service if a later check of applicant's credit record is, in the opinion of the Company, contrary to the best interest of the Company. The Company may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the Customer, to allow connection of a Customer's location to a service provided by the Company. The Customer shall be responsible for all charges due for such service arrangement.

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

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

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

2.2 Use of Services

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

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

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

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

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

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

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

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

2.3 Liability of the Company

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

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

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

2.3.4 Reserved for Future Use

2.3.5 Reserved for Future Use

2.3.6 Reserved for Future Use

2.4 Responsibilities of the Customer

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

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

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

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

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

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

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

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

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

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

2.5 Cancellation or Interruption of Services

2.5.1 Without incurring liability, upon five (5) working days' (defined as any day on which the company's business office is open and the U.S. Mail is delivered) written notice to the Customer, the Company may immediately discontinue services to a Customer or may withhold the provision of ordered or contracted services:

2.5.1.A For nonpayment of any sum due the Company for more than thirty (30) days after issuance of the bill for the amount due, unless the charge is in dispute;

2.5.1.B For violation of any of the provisions of this tariff,

2.5.1.C For violation of any law, rule, regulation, policy of any governing authority having jurisdiction over the Company's services, or

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

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

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

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

2.6 Credit Allowance

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

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 will be assessed on unpaid amounts 30 days after rendition of bills.

2.10.2 The customer is responsible for payment of all charges for services furnished to the Customer, as well as to all persons using the Customer's codes, exchange lines, facilities, or equipment, with or without the knowledge or consent of the Customer. The security of the Customer's Authorization Codes, 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.

2.10.3 All bills are presumed accurate, and shall be binding on the customer unless objection is received by the Company in writing within the applicable contract law statute of limitations. No credits, refunds, or adjustments shall be granted if demand therefore is not received by the Company in writing within such applicable contract law statute of limitations.

2.10.4 The Company may utilize direct billing and LEC billing. The selection of the billing option is made by the Company. With LEC billing, the Customer's charges for Service(s) are billed with the Customer's bill for local service. If LEC billing is utilized, the rules and regulations applying to rendering and payment of the bill and late charges are the same as covered in the applicable LEC tariff. The Company will make every effort to post any credit due to the Customer account(s) on the Customer's next

LEC bill. However, based on the date of the resolution of a dispute and the date credits must be provided to the LEC, it may be two or more billing cycles before a credit will be issued. The Company's name and toll-free telephone number will appear on the Customer's bill.

2.11 Collection Costs

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

2.12 Taxes

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

2.13 Late Charge

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

2.14 Returned Check Charge

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

2.15 Reconnection Charge

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

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. For all calls, fractions of an increment are rounded up to the next whole increment. For example, a call with a one (1) minute increment lasting 35 seconds will be rounded to one (1) minute. Calls with charges that include a fraction of a cent .5 or greater will be rounded to the next highest cent. For example, a Customer making a call with a computed charge of $1.434 will be charged $1.43 and a Customer making a call with a computed charge of $1.435 will be charged $1.44.

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.

3.1.4 If the Customer uses a calling plan with a monthly recurring charge, that monthly charge is charged for every billing or calendar month in which a customer uses the service as defined by placing a call from a working telephone number.

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:

9775 Business Park Avenue
San Diego, California 92131
(800) 576-7775

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

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

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

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

3.3 Level of Service

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

3.4 Service Offerings

3.4.1 Presubscribed 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". The customer is presubscribed to the Company's service.

3.4.2 Casual Calling

This service permits Customers to originate calls via switched access lines, and to terminate intrastate calls via a 10XXX or 101XXXX Access Code. The Customer dials the Access Code followed by "1+ ten digits". This service is Non-Primary Interexchange Carrier

Service. Non-Primary Interexchange Carrier Service is available to residences and businesses, except hospitals, payphones, hotels and in-mate only facilities, that demonstrate credit-worthiness.

3.4.3 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.

3.4.4 800 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.

3.4.5 Reserved for Future Use.

Reserved for Future Use.

3.4.6 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. Directory assistance is available to any Customer that has access to the directory assistance bureau of the DUC.

SECTION 4 - RATES

4.1 Presubscribed 1+ Dialing

Calls for Less Plan
$0.049 Per Minute Initial Period
$0.069 Per Minute Additional Periods
Initial Period ten minute Increment
Additional Periods one minute Increments

Lucky Penny Plan
$0.079 Per Minute
Billed in one minute Increments

Penny Plan - 1010629 Access Code
$0.079 Per Minute
Billed in one minute Increments

Call 4 Cents Plan
$0.04 Per Minute Initial Period
$0.04 Per Minute Additional Periods
Initial Period ten minute Increment
Additional Periods one minute Increments

Talk Cents Plan
$0.07 Per Minute
Billed in one minute Increments
A monthly recurring charge of $4.95 applies

Xchanger Plan
$0.07 Per Minute
Billed in one minute Increments
A monthly recurring charge of $4.95 applies

5200 Plan
$0.049 Per Minute Initial Period
$0.069 Per Minute Additional Periods
Initial Period ten minute Increment
Additional Periods one minute Increments

Reserved For Future Use

4.2 Casual Calling

Calls for Less Plan - 1015992 Access Code
$0.049 Per Minute Initial Period
$0.069 Per Minute Additional Periods
Initial Period ten minute Increment
Additional Periods one minute Increments

Lucky Penny Plan - 1010834 Access Code
$0.079 Per Minute
Billed in one minute Increments

Penny Plan - 1010629 Access Code
$0.079 Per Minute
Billed in one minute Increments

Call 4 Cents Plan - 1015335 Access Code
$0.04 Per Minute Initial Period
$0.04 Per Minute Additional Periods
Initial Period ten minute Increment
Additional Periods one minute Increments

Talk Cents Plan - 1010502 Access Code
$0.07 Per Minute
Billed in one minute Increments
A monthly recurring charge of $4.95 applies

Xchanger Plan - 1010275 Access code
$0.07 Per Minute
Billed in one minute Increments
A monthly recurring charge of $4.95 applies

5200 Plan -1015200 Access Code
$0.049 Per Minute Initial Period
$0.069 Per Minute Additional Periods
Initial Period ten minute Increment
Additional Periods one minute Increments

Reserved For Future Use

4.3 Travel Cards

Calls for Less Plan
$0.049 Per Minute Initial Period
$0.069 Per Minute Additional Periods
Initial Period ten minute Increment
Additional Periods one minute Increments

Lucky Penny Plan
$0.079 Per Minute
Billed in one minute Increments

Penny Plan
$0.079 Per Minute
Billed in one minute Increments

Call 4 Cents Plan
$0.04 Per Minute Initial Period
$0.04 Per Minute Additional Periods
Initial Period ten minute Increment
Additional Periods one minute Increments

Talk Cents Plan
$0.07 Per Minute
Billed in one minute Increments
A monthly recurring charge of $4.95 applies

Xchanger Plan
$0.07 Per Minute
Billed in one minute Increments
A monthly recurring charge of $4.95 applies

5200 Plan
$0.049 Per Minute Initial Period
$0.069 Per Minute Additional Periods
Initial Period ten minute Increment
Additional Periods one minute Increments

For all Plans
A $1.00 per call service charge applies.

Reserved For Future Use

4.4 800 Service (Toll Free)

Calls for Less Plan
$0.049 Per Minute Initial Period
$0.069 Per Minute Additional Periods
Initial Period ten minute Increment
Additional Periods one minute Increments

Lucky Penny Plan
$0.079 Per Minute
Billed in one minute Increments

Penny Plan
$0.079 Per Minute
Billed in one minute Increments

Call 4 Cents Plan
$0.04 Per Minute Initial Period
$0.04 Per Minute Additional Periods
Initial Period ten minute Increment
Additional Periods one minute Increments

Talk Cents Plan
$0.07 Per Minute
Billed in one minute Increments
A monthly recurring charge of $4.95 applies

Xchanger Plan
$0.07 Per Minute
Billed in one minute Increments
A monthly recurring charge of $4.95 applies

1015200 Plan
$0.049 Per Minute Initial Period
$0.069 Per Minute Additional Periods
Initial Period ten minute Increment
Additional Periods one minute Increments

For all Plans
A monthly recurring charge of $2.00 applies
A one-time set up fee of $10.00 applies

Reserved for Future Use

4.5 Directory Assistance

$.75

4.6 Returned Check Charge

$20.00

4.7 **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.

4.8 **Payphone Dial Around Surcharge**

A dial around surcharge of $.50 per call will be added to any completed INTRAstate toll access code and subscriber 800/888 type calls placed from a public or semi-public payphone.

4.9 **Universal Service Fund Assessment & Presubscribed Interexchange Carrier Charge**

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

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1873

WORLDXCHANGE CORP.
9775 BUSINESS PARK AVENUE
SAN DIEGO, CA 92131
(858) 547-5700

UNION BANK OF CA, N.A.
Orange County Commercial Banking
500 South Main St. Orange, CA 92868

16-49/1220

TWO HUNDRED FIFTY + 00/100 DOLLARS

DATE AMOUNT

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION 9/25/01 $ 250.00

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South Dakota Public Utilities Commission
WEEKLY FILINGS
For the Period of September 27, 2001 through October 3, 2001

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

CONSUMER AFFAIRS

CT01-044 **In the Matter of the Complaint filed by Suzanne Drake, Sioux Falls, South Dakota, against McLeod USA Telecommunications Services, Inc. Regarding Poor Quality of Customer Service.**

Complainant alleged that written notice was sent to McLeod for changes and the company response and resolution did not occur within 30 days. Complainant requests that the agreement/contract between both parties be terminated 30 days from date of written notification.

Staff Analyst: Charlene Lund
Staff Attorney: Kelly Frazier
Date Docketed: 09/27/01
Intervention Deadline: N/A

CT01-045 **In the Matter of the Complaint filed by Shannon Thornburg, Rapid City, South Dakota, against McLeodUSA Telecommunications Services, Inc. Regarding Failure to Switch Long Distance Service.**

Complainant states that he requested McLeodUSA to switch his service to Sprint. Some long distance calls were billed through Sprint but not all calls. Complainant is requesting that McLeod refund all long distance charges from July 31 forward. He is also requesting that a $1000 penalty be assessed against McLeod for putting them back on McLeod's network after partially completing the switch on August 23, 2001.

Staff Analyst: Charlene Lund
Staff Attorney: Karen E. Cremer
Date Docketed: 10/03/01
Intervention Deadline: N/A

TELECOMMUNICATIONS

TC01-153 **In the Matter of the Application of TalkNow, Inc. for a Certificate of Authority to Provide Interexchange Telecommunications services in South Dakota.**

TalkNow, Inc. is seeking a Certificate of Authority to provide interexchange telecommunication services in South Dakota. The applicant is a reseller which intends to offer interexchange services, including 1+ and 101XXXX outbound dialing, toll-free inbound dialing, directory assistance, data services, and travel card services.

Staff Analyst: Keith Senger
Staff Attorney: Kelly Frazier
Date Docketed: 9/27/01
Intervention Deadline: 10/19/01

TC01-154 **In the Matter of the Application of VarTec Telecom, Inc. for a Certificate of Authority to Provide Local Exchange Services in South Dakota.**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF TALKNOW, INC. FOR A CERTIFICATE OF AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICES IN SOUTH DAKOTA	)	ORDER GRANTING CERTIFICATE OF AUTHORITY TC01-153

On September 27, 2001, the Public Utilities Commission (Commission), in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, received an application for a certificate of authority from TalkNow, Inc. (TalkNow).

TalkNow proposes to offer interexchange services, including 1+ and 101XXXX outbound dialing, 800/888 toll-free inbound dialing, directory assistance, data services and travel card services. A proposed tariff was filed by TalkNow The Commission has classified long distance service as fully competitive.

On October 4, 2001, the Commission electronically transmitted notice of the filing and the intervention deadline of October 19, 2001, to interested individuals and entities. No petitions to intervene or comments were filed and at its October 23, 2001, meeting, the Commission considered TalkNow's request for a certificate of authority. Commission Staff recommended granting a certificate of authority, subject to the condition that TalkNow not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission. Commission Staff further recommended a waiver of ARSD 20:10:24:02(8).

The Commission finds that it has jurisdiction over this matter pursuant to SDCL Chapter 49-31, specifically 49-31-3 and ARSD 20:10:24:02 and 20:10:24:03. The Commission finds that TalkNow has met the legal requirements established for the granting of a certificate of authority. TalkNow has, in accordance with SDCL 49-31-3, demonstrated sufficient technical, financial and managerial capabilities to offer telecommunications services in South Dakota. Further, the Commission finds that there is good cause to waive ARSD 20:10:24:02(8). The Commission approves TalkNow's application for a certificate of authority, subject to the condition that TalkNow not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission. As the Commission's final decision in this matter, it is therefore

ORDERED, that TalkNow's application for a certificate of authority is hereby granted, effective November 27, 2001, subject to the condition that TalkNow not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission. It is

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

Dated at Pierre, South Dakota, this 31st day of October, 2001.

CERTIFICATE OF SERVICE

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

By Delaine Kolbo

Date 11/1/01

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg

JAMES A. BURG, Chairman

Pam Nelson

PAM NELSON, Commissioner

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

CERTIFICATE OF AUTHORITY

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

Authority was Granted effective November 27, 2001
Docket No. TC01-153

This is to certify that

TALKNOW, INC.

is authorized to provide interexchange telecommunications services in South Dakota, subject to the condition that it not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission.

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

Dated at Pierre, South Dakota, this 31st day of October, 2001.

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION:

JAMES A. BURG, Chairman

PAM NELSON, Commissioner