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ORIGINAL

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

Also Admitted in New York
and Maryland

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

June 16, 2000

VIA OVERNIGHT DELIVERY

Florida Public Service Commission
Tariff Section
2540 Shumard Oak Blvd.
Gunter Bldg.
Tallahassee, Florida 32399
(850) 413-6000

DEPOSIT D310 DATE JUN 20 2000

000736-TI

Re: PT-1 Counsel Inc. Interexchange Application &
Application for Authority to Acquire the assets and customers of
PT-1 Long Distance, Inc. & PT-1 Communications, Inc.

Dear Sir/Madam:

Enclosed please find one original and six (6) copies of PT-1 Counsel Inc.'s Application for Authority to Provide Interexchange Telecommunications Service Within the State of Florida, along with an original and six (6) copies of PT-1 Counsel Inc.'s proposed tariff.

I also have enclosed a check in the amount of $250.00 payable to the Florida Public Service Commission to cover the cost of filing these documents.

In addition, please accept this letter as an application for Authority to Acquire the assets and customers of PT-1 Long Distance, Inc. & PT-1 Communications, Inc.

PT-1 Counsel, Inc. is a Delaware corporation, which is a wholly-owned subsidiary of WebToTel, Inc., a Delaware corporation, which is in turn, a wholly-owned subsidiary of Counsel Communications, LLC , a Delaware limited liability company. All such companies are located at the address and phone number set forth above for PT-1 Counsel, Inc.

MAIL ROOM
00 JUN 19 AM 10:20

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.

Initials of person who forwarded check:

DOCUMENT NO.
07399-00
6-19-00

Counsel Communications, LLC is a subsidiary of Counsel Corporation (which is traded on the NASDAQ exchange under the symbol "CXSN") , a Canadian corporation, which is located at The Exchange Tower, Suite 1300, P.O. Box 435, 130 King Street West, Toronto, Ontario M5X 1E3, Canada. Counsel Corporation ("Counsel") is an investment and management company specializing in Internet, communications, and other technology-based enterprises. Counsel plans, through PT-1 Counsel, to provide domestic and international retail communications over an Internet protocol-based network in the United States.

PT-1 Communications, Inc, , a New York corporation with offices in Flushing, New York, is a wholly owned subsidiary of STAR Telecommunications, Inc. ("STAR"), a Delaware corporation headquartered in Santa Barbara, California (traded on the NASDAQ exchange under the symbol "STRX") which is a non-dominant facilities-based and resale carrier that provides domestic and international wholesale and retail telecommunications services in the United States, Europe, and Asia. PT-1 Communications, Inc. provides prepaid calling card service throughout the United States pursuant to authority granted by the Federal Communications Commission and various state regulatory agencies. PT-1 Communications, Inc. was issued a Certificate to Provide Interexchange Services in Docket No. 960123-TI (Certificate No. 4432).

PT-1 Long Distance, Inc., a Delaware corporation also with offices in Flushing, New York, is a wholly owned subsidiary of PT-1 Communications, Inc., which was granted a Certificate to Provide Interexchange Services in Docket No. 990576-TI . PT-1 Long Distance, Inc. provides primarily casual calling service throughout the United States pursuant to authority granted by the Federal Communications Commission and various state regulatory agencies. The company has relatively few presubscribed customers, by request of prior casual calling customers.

On February 11, 2000, STAR entered into a merger agreement with World Access under which that company plans to acquire 100% of the shares of STAR.. As a pre-condition to the STAR/World Access merger, however, STAR has agreed to sell the capital stock or the assets of PT-1 Communications, Inc. (which includes its subsidiary PT-1 Long Distance, Inc.). Pursuant to this condition, STAR and PT-1 Communications, Inc. entered into a Purchase Agreement with Counsel Communications, LLC on June 6, 2000, following the determination by all of the parties involved that the operations of PT-1 Communications and PT-1 Long Distance are compatible with the planned operations of Counsel and that Counsel's acquisition of PT-1 Communications, Inc. and PT-1 Long Distance would benefit all of those companies. Under the Purchase Agreement, Counsel will pay $150 million cash to acquire the assets of PT-1 Communications, Inc.

The prompt approval of this application is in the public interest because the current and future customers of PT-1 Long Distance, Inc. and PT-1 Communications, Inc. will benefit from the investments that Counsel is going to make in establishing a state-of-the-art network over which the traffic of PT-1 Communications, Inc. and PT-1 Long Distance, Inc. will be carried. The acquisition of the assets of PT-1 Communications, Inc. and PT-1 Long Distance, Inc. will also help to enable Counsel to become one of the market leaders in calling card and casual calling services, and to achieve economies of scale and scope in providing a wide range of retail telecommunications services to end-user customers in the United States.

Please return a stamped copy of the extra copy of this letter in the enclosed preaddressed prepaid envelope.

If you have any questions regarding the application or the tariff, please do not hesitate to call me. Thank you for your attention to this matter.

Sincerely,

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

Enclosures
cc: Gary Wasserson

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ORIGINAL

** **FLORIDA PUBLIC SERVICE COMMISSION** **

DIVISION OF COMMUNICATIONS
BUREAU OF SERVICE EVALUATION

000736-TI

APPLICATION FORM
for
AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICE
WITHIN THE STATE OF FLORIDA

Instructions

A. This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee (See Appendix A).

B. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.

C. Use a separate sheet for each answer, which will not fit the allotted space.

D. If you have questions about completing the form, contact:

Florida Public Service Commission
Division of Communications
Bureau of Service Evaluation
2540 Shumard Oak Blvd.
Gunter Building
Tallahassee, Florida 32399-0850
(904) 413-6600

E. Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of $250.00 to:

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd.
Gunter Building
Tallahassee, Florida 32399-0850
(904) 413-6251

FORM PSC/CMU 31 (11/91)
Required by Commission Rule Nos. 25-24.471, 25-24.473, 25-24.480(2)

RECEIVED & FILED
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE
07399 JUN 19 8
FPSC-RECORDS/REPORTING

1. Select what type of business your company will be conducting (check all that apply):

(X) **Facilities based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

( ) **Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

(X) **Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.

( ) **Switchless rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.

( ) **Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers. Then offers the resold service by enrolling unaffiliated customers.

(X) **Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

2. This is an application for (check one):

(X)	**Original Authority** (New company).
( )	**Approval of Transfer** (To another certificated company).
( )	**Approval of Assignment of existing certificate** (To a noncertificated company).
( )	**Approval for transfer of control** (To another certificated company).

3. Name of corporation, partnership, cooperative, joint venture or sole proprietorship:

PT-1 Counsel Inc.

4. Name under which the applicant will do business (fictitious name, etc.):

5. National address (including street name & number, post office box, city, state and zip code):

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

6. Florida address (including street name & number, post office box, city, state and zip code):

None

7. Structure of organization;

( )	Individual	(X)	Corporation
( )	Foreign Corporation	( )	Foreign Partnership
( )	General Partnership	( )	Limited Partnership
( )	Other		

8. If applicant is an individual or partnership, please give name, title and address of sole proprietor or partners. **Not Applicable**

(a) Provide proof of compliance with the foreign limited partnership statute (Chapter 620.160 FS), if applicable.

(b) Indicate if the individual or any of the partners have previously been:

(1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings.

(2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

9. If incorporated, please give:

(a) Proof from the Florida Secretary of State that the applicant has authority to operate in Florida.

Corporate charter number:

(b) Name and address of the company's Florida registered agent.

TCS Corporate Services, Inc.
1406 Hays Street, Suite #2
Tallahassee, Florida 32301

(c) Provide proof of compliance with the fictitious name statute (Chapter 865.09 FS), if applicable.

Fictitious name registration number:

(d) Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings.

No.

(2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

No.

10. Who will serve as liaison with the Commission in regard to (please give name, title, address and telephone number):

(a) The application;

Lance J.M. Steinhart, Regulatory Counsel
6455 East Johns Crossing, Suite 285
Duluth, GA 30097
770-232-9200

(b) Official Point of Contact for the ongoing operations of the company;

Gary Wasserson, President
PT-1 Counsel Inc.
280 Park Ave., West Bldg., 28th Floor
New York, New York 10017
(212) 286-5000

(c) Tariff;

Lance J.M. Steinhart, Regulatory Counsel
6455 East Johns Crossing, Suite 285
Duluth, GA 30097
770-232-9200

(d) Complaints/Inquiries from customers;

Doreen Wilburn, Customer Service Manager
PT-1 Counsel Inc.
280 Park Ave., West Bldg., 28th Floor
New York, New York 10017
(800) 513-6947

11. List the states in which the applicant:

(a) Has operated as an interexchange carrier.

None

(b) Has applications pending to be certificated as an interexchange carrier.

Applicant is in the process of filing Applications throughout the United States.

(c) Is certificated to operate as an interexchange carrier.

None

(d) Has been denied authority to operate as an interexchange carrier and the circumstances involved.

None.

(e) Has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.
None.

(f) Has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

None.

12. What services will the applicant offer to other certificated telephone companies:

( ) Facilities
( ) Billing and Collection
( ) Maintenance
( ) Other:
( ) Operators
( ) Sales

Prepaid calling card service

13. Do you have a marketing program?

Yes.

14. Will your marketing program:
(X) Pay commissions?
( ) Offer sales franchises?
( ) Offer multi-level sales incentives?
( ) Offer other sales incentives?

15. Explain any of the offers checked in question 14 (To whom, what amount, type of franchise, etc.).

Applicant will pay commissions to sales representatives.

16. Who will receive the bills for your service (Check all that apply)?

(X)	Residential customers	(X)	Business customers
( )	PATS providers	( )	PATS station end-users
( )	Hotels & motels	( )	Hotel & motel guests
( )	Universities	( )	Univ. dormitory residents
(X)	Other (specify): Prepaid calling card users		

17. Please provide the following (if applicable):

(a) Will the name of your company appear on the bill for your services, and if not who will the billed party contact to ask questions about the bill (provide name and phone number) and how is this information provided?

Applicant's name and toll free number will appear on all end-users' bills and prepaid calling cards.

(b) Name and address of the firm who will bill for your service.

The Company intends to either direct bill customers utilizing real-time completed call detail information from its underlying carriers or LEC bill.

18. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide interexchange telecommunications services in Florida.

A. Financial capability.

Regarding the showing of financial capability, the following applies:
The application should contain the applicant's financial statements for the most recent 3 years, including:

1. the balance sheet

2. income statement

3. statement of retained earning.

Further, a written explanation, which can include supporting documentation, regarding the following should be provided to show financial capability.

1. Please provide documentation that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

2. Please provide documentation that the applicant has sufficient financial capability to maintain the requested service.

3. Please provide documentation that the applicant has sufficient financial capability to meet its lease or ownership obligations.

NOTE: This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.

If available, the financial statements should be audited financial statements. If the applicant does not have audited financial statements, it shall be so stated. The unaudited financial statements should then be signed by the applicant's chief executive officer and chief financial officer. The signatures should affirm that the financial statements are true and correct.

B. Managerial capability.

See Attached.

C. Technical capability.

Applicant will use the network services of its underlying carrier to provide services to customers in the State of Florida.

19. Please submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.482 (example enclosed).

See Attached.

20. The applicant will provide the following interexchange carrier services (Check all that apply):

___ **MTS with distance sensitive per minute rates**
___ Method of access is FGA
___ Method of access is FGB
___ Method of access is FGD
___ Method of access is 800

___ **MTS with route specific rates per minute**
___ Method of access is FGA
___ Method of access is FGB
___ Method of access is FGD
___ Method of access is 800

___ **MTS with statewide flat rates per minute (i.e. not distance sensitive)**
___ Method of access is FGA
___ Method of access is FGB
_X_ Method of access is FGD
_X_ Method of access is 800

___ **MTS for pay telephone service providers**

___ **Block-of-time calling plan (Reach out Florida, Ring America, etc.)**

_X_ **800 Service (Toll free)**

_X_ **WATS type service (Bulk or volume discount)**
_X_ Method of access is via dedicated facilities
_X_ Method of access is via switched facilities

___ ***Private Line services (Channel Services)***
(For ex. 1.544 mbs., DS-3, etc.)

_X_ **Travel Service**
___ Method of access is 950
_X_ Method of access is 800

___ **900 service**

___ **Operator Services**
___ Available to presubscribed customers
___ Available to non presubscribed customers (for example to patrons of hotels, students in universities, patients in hospitals)
___ Available to inmates

Services included are:

___ Station assistance
___ Person to Person assistance
___ Directory assistance
___ Operator verify and interrupt
___ Conference Calling

21. What does the end user dial for each of the interexchange carrier services that were checked in services included (above).

1 (or 101XXXX) +area code+number or 1-800-XXX-XXXX

21. _X_ **Other:**

** APPLICANT ACKNOWLEDGEMENT STATEMENT **

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. **APPLICATION FEE:** A non-refundable application fee of $250.00 must be submitted with the application.

5. **RECEIPT AND UNDERSTANDING OF RULES:** I acknowledge receipt and understanding of the Florida Public Service Commission's Rules and Orders relating to my provision of interexchange telephone service in Florida. I also understand that it is my responsibility to comply with all current and future Commission requirements regarding AAV service.

6. **ACCURACY OF APPLICATION:** By my signature below, I the undersigned owner or officer of the named utility in the application, attest to the accuracy of the information contained in this application and associated attachments. I have read the foregoing and declare that to the best of my knowledge and belief, the information is a true and correct statement. Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree.

UTILITY OFFICIAL:

Gary Wasserson

6/16/00
Date

President
Title

(212) 286-5000
Telephone No.

FORM PSC/CMU 31 (11/91)

FL IXC App

** APPENDIX B **

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be responded to in one of the following ways (applicant please check one):

(X) **The applicant will not collect deposits nor will it collect payments for service more than one month in advance.**

( ) **The applicant will file with the Commission and maintain a surety bond in an amount equal to the current balance of deposits and advance payments in excess of one month. (Bond must accompany application.)**

UTILITY OFFICIAL:

Gary Wasserson

6/16/00
Date

President
Title

(212) 286-5000
Telephone No.

LIST OF ATTACHMENTS

PROPOSED TARIFF

FINANCIAL INFORMATION

MANAGEMENT INFORMATION

STATEMENT OF FINANCIAL CAPABILITY

PROPOSED TARIFF

TITLE SHEET

FLORIDA TELECOMMUNICATIONS TARIFF

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

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 right-hand side of this sheet.

SHEET	REVISION
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
16	Original
17	Original
18	Original
19	Original
20	Original
21	Original
22	Original
23	Original
24	Original
25	Original
26	Original
27	Original
28	Original
29	Original

* Original or Revised Sheet Included in the most recent tariff filing

TABLE OF CONTENTS

SYMBOLS

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

D - Delete or Discontinue
I - Change Resulting In An Increase to A Customer's Bill
M - Moved from Another Tariff Location
N - New
R - Change Resulting In A Reduction to A Customer's Bill
T - Change in Text or Regulation But No Change In Rate or Charge

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 on Commission file.

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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.

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 Florida. Services are furnished subject to the availability of facilities and subject to the terms and conditions of this tariff in compliance with limitations set forth in the Commission's rules. The Company's services are provided on a statewide basis and are not intended to be limited geographically. The Company offers service to all those who desire to purchase service from the Company consistent with all of the provisions of this tariff. Customers interested in the Company's services shall file a service application with the Company which fully identifies the Customer, the services requested and other information requested by the Company. The Company may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the Customer, to allow connection of a Customer's location to a service provided by the Company. The Customer shall be responsible for all charges due for such service arrangement.

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

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

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

2.2 Use and Limitations 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 subject to Section 2.5.1 herein.

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 an act of God, fire, war, civil disturbance, act of government, or due to any other causes beyond the Company's control.

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

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

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

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

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

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

2.4 <u>Responsibilities of the Customer</u>

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

Section 2.4.6 Continued

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 the telephone network, 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,

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 counties, 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 verbal or 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 and be responsible for payment until the Customer or its agent notifies its local exchange carrier and changes its long distance carrier.

2.6 Credit Allowance - Interruption of Service

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

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

2.6.3 The Customer shall be credited for an interruption of two hours or more at the rate of 1/720th of any monthly service charges for each hour or major fraction thereof that the interruption continues.

Credit Formula:

$$\text{Credit} = \frac{A}{720} \times B$$

"A" - outage time in hours
"B" - monthly charge for affected activity

2.7 Deposit

The Company does not require deposits.

2.8 Advance Payments

The Company requires advance payments for recurring and non-recurring charges. This will be applied against the next month's charges, and if necessary, a new advance payment will be collected for the next month.

2.9 Payment and Billing

2.9.1 Service is provided and billed on a billing cycle basis, beginning on the date that service becomes effective. Billing is payable upon receipt.

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

2.10 Collection Costs

In the event Company is required to initiate legal proceedings to collect any amounts due to Company for regulated services, 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 the court.

2.11 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.

2.12 <u>Late Charge</u>

A late fee will be charged on any past due balances as set forth in Section 4.10 of this tariff.

2.13 <u>Returned Check Charge</u>

A fee, as set forth in Section 4.6 of this tariff, will be charged whenever a check or draft presented for payment for service is not accepted by the institution on which it is written.

2.14 <u>Location of Service</u>

The Company will provide service to Customers within the State of Florida.

2.15 <u>Sale of Telecommunications Services to Uncertified IXCs Prohibited</u>

Customers reselling or rebilling the Company's telecommunications services must have a Certificate of Public Convenience and Necessity as an interexchange carrier from the Commission.

2.16 <u>Reconnection Charge</u>

A reconnection fee per occurrence as set forth in Section 4.12 of this tariff, will be charged when service is reestablished for Customers which have been disconnected due to non-payment. Payment of the reconnection fee and any other outstanding amounts will be due in full prior to reconnection of service

SECTION 3 - DESCRIPTION OF SERVICE

3.1 Computation of Charges

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

3.1.2 Usage charges for all mileage sensitive products are based on the airline distance between rate centers associated with the originating and terminating points of the call. The airline mileage between rate centers is determined by applying the formula below to the vertical and horizontal coordinates associated with the rate centers involved. The Company uses the rate centers that are produced by Bell Communications Research in the NPA-NXX V&H Coordinates Tape and Bell's NECA Tariff No. 4.

Formula:

$$\sqrt{\frac{(V1-V2)^2 + (H1-H2)^2}{10}}$$

3.1.3 Timing begins when the called party answers 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. Timing for each call ends when either party hangs up.

3.1.4 The Company will not bill for uncompleted calls.

3.2 Customer Complaints and/or Billing Disputes

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

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

3.2 Continued

Any objection to billed charges should be reported promptly to the Company or its billing agent. 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. A Customer who is unable to resolve a billing dispute with the Company may contact the Commission by telephone at 1-800-342-3552 to intervene in the billing dispute.

3.3 Level of Service

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

3.4 Billing Entity Conditions

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

3.5 Service Offerings

3.5.1 1+ Dialing

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

3.5.2 Travel Cards

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

3.5.3 800 Service (Toll-Free)

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

3.5.4 Company Prepaid Calling Cards

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

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

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

Section 3.5.4 Continued

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

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

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

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

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

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

3.5.5 Directory Assistance.

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

3.5.6 Emergency Call Handling Procedures

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

3.5.7 Promotional Offerings

The Company may offer approved special promotions of new or existing services or products for limited time periods as approved by the Commission. These promotions will include specific tariffed starting and ending dates. All such promotions will be offered on a completely non-discriminatory basis. All such tariffed promotions must be approved by the Commission and must state exactly what charges are being reduced or waived, who is eligible, and what Customers have to do to be eligible.

SECTION 4 - RATES

4.1 1+ & 101XXXX Dialing

$0.15 per minute

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

4.2 Travel Cards

$.199 per minute

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

4.3 800 Service (Toll Free)

$0.15 per minute

A $10.00 per month per number service charge applies.

Billed in one minute increments

4.4 Prepaid Calling Cards

$.499 Per Telecom Unit

$1.00 per call service charge.

$1.00 per month service charge.

4.5 <u>Directory Assistance</u>

$.95 per each number requested

4.6 <u>Returned Check Charge</u>

$25.00

4.7 <u>Rate Periods</u>

	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 Rates Applicable for Hearing/Speech Impaired Persons

For intrastate toll messages which are communicated using a telecommunications device for the deaf (TDD) by properly certified business establishments or individuals equipped with TDDs for communications with hearing or speech impaired persons, the rates shall be evening rates for daytime calls and night rates for evening and night calls.
Intrastate toll calls received from the relay service, each local exchange and interexchange telecommunications company billing relay call will be discounted by 50 percent of the applicable rate for a voice nonrelay call except that where either the calling or called party indicates that either party is both hearing and visually impaired, the call will be discounted 60 percent off the applicable rate for voice nonrelay calls.

Florida Public Service Commission Rules and Regulations require the Company to provide the first 50 directory assistance calls initiated per billing cycle by handicapped persons free of charge.

4.9 Employee Concessions

The Company does not offer employee concessions.

4.10 Late Charge

1.5% monthly or the amount otherwise authorized by law, whichever is lower.

4.11 Payphone Dial Around Surcharge

A dial around surcharge of $.49 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.

4.12 Reconnection Charge

$25.00

FINANCIAL INFORMATION

To the Shareholders of Counsel Corporation

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

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

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

Soberman Isenbaum & Colomby LLP

Soberman Isenbaum & Colomby LLP
Chartered Accountants

Toronto, Canada
April 7, 2000

CONSOLIDATED BALANCE SHEETS

(In 000s of US$) At December 31

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

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

On behalf of the Board

Allan Silber,
Director

Morris Perlis,
Director

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

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

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

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

CONSOLIDATEL _TATEMENTS OF EARNINGS

(In 000s of US$ except per share amounts)	Year ended December 31	
	1999	1998
Revenues	$ 75,701	$ 53,543
Earnings		
From operating businesses		
Pharmaceutical products	$ 15,614	$ 1,307
e-Commerce	40	–
Clinical laboratory	–	466
Long term care	681	1,212
Realization of value in operating businesses *(Note 14)*	1,929	2,232
Interest and other income	5,803	7,908
Earnings before undernoted expenses	24,067	13,125
Corporate	3,893	3,008
Interest	8,962	3,042
Amortization	7,204	1,372
Earnings from operations	4,008	5,703
Writedown of investments	(148,456)	–
Earnings (loss) before income taxes and minority interest	(144,448)	5,703
Income tax recovery *(Note 15)*	(54,001)	(871)
Minority interest	(1,079)	(111)
Earnings (loss) from continuing operations	(89,368)	6,685
Earnings from discontinued pharmacy services operations after tax *(Note 3)*	150,594	3,793
Loss from discontinued home health care operations after tax *(Note 3)*	(14,529)	(33,102)
Net earnings (loss)	$ 46,697	$ (22,624)
Earnings per share – basic		
Earnings (loss) from continuing operations	$ (3.43)	$ 0.22
Earnings (loss) from discontinued operations after tax	5.19	(1.05)
Net earnings (loss) – basic	$ 1.76	$ (0.83)
Earnings (loss) per share – fully diluted		
Earnings (loss) from continuing operations	$ (3.43)	$ 0.22
Earnings (loss) from discontinued operation after tax	4.78	(1.05)
Net earnings (loss) – fully diluted	$ 1.35	$ (0.83)
Weighted average number of common shares outstanding *(in 000s)*	26,258	27,881

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impower, Inc.

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

FARO Pharmaceuticals Inc.

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

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

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

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

Sage BioPharma Inc.

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

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

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

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

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

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

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

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

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

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

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

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

Other assets are as follows:

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

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

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

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

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

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

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

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

Other long term debt is as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Fixed stock option plans

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

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

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

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

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

(ii) Share purchase plan

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

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

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

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

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

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

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

Pharmaceutical products

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

Clinical laboratory

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MANAGEMENT INFORMATION

Gary Wasserson, President and Chief Executive Officer

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

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

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

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

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

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

JAMIE GAIL WARNER

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

COUNSEL CORPORATION, New York, NY
April 1998 - Present
Analyst

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

PROFESSIONAL EXAMINATION SERVICE, New York, NY December 1995 – March 1998
Department of Research and Development
Research Assistant (1995 -1997)
Research Program Associate (1997 – 1998)

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

UNIVERSITY OF ROCHESTER, Rochester, New York
September 1993 – May 1995
Manager, Student Union Store

- Managed, hired, and trained a staff of 21 students

- Responsible for day-to-day operations; managed budgeting issues, including inventory and purchasing

EDUCATION

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

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

STATEMENT OF FINANCIAL CAPABILITY

PT-1 Counsel Inc. has sufficient financial capability to provide the requested service in the State of Florida and has sufficient financial capability to maintain the requested service and to meet its lease or ownership obligations. In support of PT-1 Counsel Inc.'s stated financial capability, a copy of its Applicant's ultimate parent company, Counsel Corporation's financial statements for years ended December 31, 1998 and December 31, 1999 is attached to its application. PT-1 Counsel Inc. intends to fund the provision of service through internally generated cash flow. PT-1 Counsel Inc. also has the ability to borrow funds, if required, based upon its financial capabilities, and the parent company is committed to providing any necessary capital if needed to provide service in the State of Florida.