

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

May 19, 1999

VIA OVERNIGHT DELIVERY

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd.
Gunter Bldg.
Tallahassee, Florida 32399-0850

990652-TI

Re: Arc Phone USA Inc.

Dear Sir/Madam:

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

Arc Phone USA 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 Arc Phone USA Inc.'s stated financial capability, a copy of its parent company's Balance Sheet and Income Statement for year ended July 31, 1998 and six months ended December 31, 1998 is attached to its application. Arc Phone USA Inc. intends to fund the provision of service through internally generated cash flow. Arc Phone USA Inc. also has the ability to borrow funds, if required, based upon its financial capabilities.

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.

Check received with filing and
forwarded to Fiscal for deposit.
Fiscal has forwarded a copy of check
to the State for proof of deposit.

Initials of person who forwarded check:

LS

DOCUMENT NUMBER-DATE

06414 MAY 20 99

FPSC-RECORDS/REPORTING

MAIL ROOM
MAY 20 9 21 AM '99

NOISSWING BARNES
COMMUNICATIONS
CORPORATION

Lance J.M. Steinhart
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Duluth, Georgia 30097

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LANCE J. M. STEINHART
ATTORNEY AT LAW
770-232-9200
6455 EAST JOHNS CROSSING, SUITE 285
DULUTH, GA 30155-1553

2148

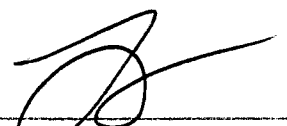
64-5/610
01821

Pay to the Order of Florida Public Service Comm. \$ 250.00

Two hundred fifty & 00/100 Dollars Security features included. Details on back.

NationsBank
NationsBank, N.A.
Georgia

For Arc Phone



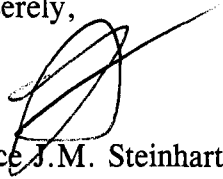
MP

Florida Public Service Commission
May 19, 1999
Page 2

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,

A handwritten signature in black ink, appearing to read "Lance J.M. Steinhart", with a long horizontal stroke extending to the right.

Lance J.M. Steinhart, Esq.
Attorney for Arc Phone USA Inc.

Enclosures
cc: Neda Moeini

**** FLORIDA PUBLIC SERVICE COMMISSION ***

**DIVISION OF COMMUNICATIONS
BUREAU OF SERVICE EVALUATION**

**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)

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

- 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:

Arc Phone USA, 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):

**500 Leslie Street, Suite 500
Le Parc Office Tower
Thornhill, Ontario L3T 7M8 Canada**

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

None.

7. Structure of organization;

- | | | | |
|--------------------------|---------------------|-------------------------------------|---------------------|
| <input type="checkbox"/> | Individual | <input checked="" type="checkbox"/> | Corporation |
| <input type="checkbox"/> | Foreign Corporation | <input type="checkbox"/> | Foreign Partnership |
| <input type="checkbox"/> | General Partnership | <input type="checkbox"/> | Limited Partnership |
| <input type="checkbox"/> | Other, _____ | | |

8. If applicant is an individual or partnership, please give name, title and address of sole proprietor or partners.

- (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.

Richard A. Murdoch, Esq.
980 N. Federal Highway, Suite 410
Boca Raton, FL 33432

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

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

Neda Moeini, Vice-President
Arc Phone USA, Inc.
Le Parc Office Tower
500 Leslie Street, Suite 500
Thornhill, Ontario L3T 7M8 Canada
(905) 709-3570

(c) Tariff;

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

(d) Complaints/Inquiries from customers;

Mana Shafai, Customer Service Manager
Arc Phone USA, Inc.
Le Parc Office Tower
500 Leslie Street, Suite 500
Thornhill, Ontario L3T 7M8 Canada
(800) 429-8036

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.

New York, Nevada

(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:

- | | |
|---|------------------------------------|
| <input type="checkbox"/> Facilities | <input type="checkbox"/> Operators |
| <input type="checkbox"/> Billing and Collection | <input type="checkbox"/> Sales |
| <input type="checkbox"/> Maintenance | |
| <input type="checkbox"/> Other: _____ | |

None.

13. Do you have a marketing program?

Yes.

14. Will your marketing program:

- 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)?

- | | |
|---|--|
| <input checked="" type="checkbox"/> Residential customers | <input checked="" type="checkbox"/> Business customers |
| <input type="checkbox"/> PATS providers | <input type="checkbox"/> PATS station end-users |
| <input type="checkbox"/> Hotels & motels | <input type="checkbox"/> Hotel & motel guests |
| <input type="checkbox"/> Universities | <input type="checkbox"/> Univ. dormitory residents |
| <input type="checkbox"/> Other (specify): _____ | |

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.

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

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

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

Method of access is FGD

Method of access is 800

MTS for pay telephone service providers

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

800 Service (Toll free)

WATS type service (Bulk or volume discount)

Method of access is via dedicated facilities

Method of access is via switched facilities

Private Line services (Channel Services)

(For ex. 1.544 mbs., DS-3, etc.)

- Travel Service**
- Method of access is 950
- 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).

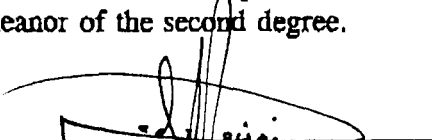
1 (or 101XXXX) + area code+ number or 1-800-XXX-XXXX

21. **Other:**

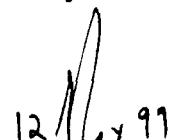
**** APPLICANT ACKNOWLEDGEMENT STATEMENT ****

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:



Signature



Date

Neda Moeini

Vice-President
Title

(905) 709-3570
Telephone No.

**** APPENDIX B ****

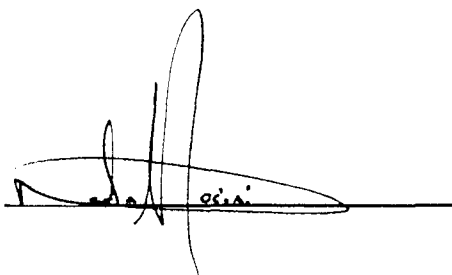
CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

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:



12 May 99
Date

Neda Moeini

Vice-President (905) 709-3570

Title Telephone No.

LIST OF ATTACHMENTS

PROPOSED TARIFF

FINANCIAL INFORMATION

MANAGEMENT INFORMATION

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 Arc Phone USA Inc. ("Arc Phone"), with principal offices at Le Parc Office Tower, 500 Leslie Street, Suite 500, Thornhill, Ontario L3T 7M8 Canada. 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.

Issued: May 20, 1999

Effective:

By:

Neda Moeini, Vice-President
Le Parc Office Building
500 Leslie Street, Suite 500
Thornhill, Ontario L3T 7M8 Canada

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.

<u>SHEET</u>	<u>REVISION</u>
1	Original*
2	Original*
3	Original*
4	Original*
5	Original*
6	Original*
7	Original*
8	Original*
9	Original*
10	Original*
11	Original*
12	Original*
13	Original*
14	Original*
15	Original*
16	Original*
17	Original*
18	Original*
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

Issued: May 20, 1999

Effective:

By:

Neda Moeini, Vice-President
Le Parc Office Building
500 Leslie Street, Suite 500
Thornhill, Ontario L3T 7M8 Canada

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Issued: May 20, 1999

By:

Effective:
Neda Moeini, Vice-President
Le Parc Office Building
500 Leslie Street, Suite 500
Thornhill, Ontario L3T 7M8 Canada

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

Issued: May 20, 1999

By:

Effective:

Neda Moeini, Vice-President
Le Parc Office Building
500 Leslie Street, Suite 500
Thornhill, Ontario L3T 7M8 Canada

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.

Issued: May 20, 1999

By:

Effective:
Neda Moeini, Vice-President
Le Parc Office Building
500 Leslie Street, Suite 500
Thornhill, Ontario L3T 7M8 Canada

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 Arc Phone's location or switching center.

Authorization Code - A numerical code, one or more of which may be assigned to a Customer, to enable Arc Phone 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 Arc Phone or purchases a Arc Phone 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 Arc Phone - Used throughout this tariff to mean Arc Phone USA Inc., a Nevada 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.

Issued: May 20, 1999

By:

Effective:

Neda Moeini, Vice-President
Le Parc Office Building
500 Leslie Street, Suite 500
Thornhill, Ontario L3T 7M8 Canada

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.

Issued: May 20, 1999

By:

Effective:

Neda Moeini, Vice-President
Le Parc Office Building
500 Leslie Street, Suite 500
Thornhill, Ontario L3T 7M8 Canada

SECTION 2 - RULES AND REGULATIONS**2.1 Undertaking of the Company**

This tariff contains the regulations and rates applicable to intrastate resale telecommunications services provided by Arc Phone for telecommunications between points within the State of Florida. Resale 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 Arc Phone 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.

Issued: May 20, 1999**By:****Effective:**

**Neda Moeini, Vice-President
Le Parc Office Building
500 Leslie Street, Suite 500
Thornhill, Ontario L3T 7M8 Canada**

-
- 2.1.2 The rates and regulations contained in this tariff apply only to the resale services furnished by Arc Phone 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 Arc Phone.
- 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 Arc Phone'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 Arc Phone'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 Arc Phone'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.

Issued: May 20, 1999

Effective:

By:

Neda Moeini, Vice-President
Le Parc Office Building
500 Leslie Street, Suite 500
Thornhill, Ontario L3T 7M8 Canada

-
- 2.2.4 Arc Phone's services are available for use twenty-four hours per day, seven days per week.
- 2.2.5 Arc Phone does not transmit messages, but the services may be used for that purpose.
- 2.2.6 Arc Phone'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.

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By:

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- 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.

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2.4 Responsibilities of the Customer

- 2.4.1 The Customer is responsible for placing any necessary orders and complying with tariff regulations. The Customer is also responsible for the payment of charges for services provided under this tariff.
- 2.4.2 The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by Arc Phone on the Customer's behalf.
- 2.4.3 If required for the provision of Arc Phone's services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to Arc Phone.
- 2.4.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to Arc Phone and the Customer when required for Arc Phone personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of Arc Phone'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 Arc Phone'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 Arc Phone's facilities or services, that the signals emitted into Arc Phone'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

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Section 2.4.6 Continued

damage equipment, injure personnel, or degrade service to other Customers. If the Federal Communications Commission or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with the telephone network, Arc Phone 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 Arc Phone equipment, personnel or the quality of service to other Customers, Arc Phone may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, Arc Phone may, upon written notice, terminate the Customer's service.

- 2.4.7 The Customer must pay Arc Phone for replacement or repair of damage to the equipment or facilities of Arc Phone 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 Arc Phone equipment installed at Customer's premises.
- 2.4.9 If Arc Phone 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.

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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, Arc Phone 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 Arc Phone 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 Arc Phone'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 Arc Phone from furnishing its services.
- 2.5.2 Without incurring liability, Arc Phone 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 Arc Phone's equipment and facilities and may continue such interruption until any items of noncompliance or improper equipment operation so identified are rectified.

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- 2.5.3 Service may be discontinued by Arc Phone 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 Arc Phone deems it necessary to take such action to prevent unlawful use of its service. Arc Phone 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.

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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 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

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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.

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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, except for prepaid calling cards.

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2.12 Late Charge

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

2.13 Returned Check Charge

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 Location of Service

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

2.15 Sale of Telecommunications Services to Uncertified IXCs Prohibited

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.

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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:

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

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-
- 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 Arc Phone 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:

Le Parc Office Tower
500 Leslie Street, Suite 500
Thornhill, Ontario L3T 7M8 Canada
(800) 429-8036

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3.2 Continued

Any objection to billed charges should be reported promptly to Arc Phone 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 Arc Phone 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. Arc Phone's name and toll-free telephone number will appear on the Customer's bill.

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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.

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3.5.4 Arc Phone Prepaid Calling Cards

This service permits use of Prepaid Calling Cards for placing long distance calls. Customers may purchase Arc Phone Prepaid Calling Cards at a variety of retail outlets or through other distribution channels. Arc Phone Prepaid Calling Cards are available at a variety of face values ranging from five dollars (\$5.00), in one dollar (\$1.00) increments. Arc Phone Prepaid Calling Card service is accessed using the Arc Phone 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. Arc Phone's processor tracks the call duration on a real time basis to determine the number of Telecom Units consumed. The total consumed Telecom Units for each call is deducted from the remaining Telecom Unit balance on the Customer's Arc Phone 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 Arc Phone 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 Arc Phone Prepaid Calling Card is insufficient to continue the call and the Customer fails to enter the number of another valid Arc Phone Prepaid Calling Card prior to termination.

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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 Arc Phone 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 Arc Phone 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 an Arc Phone 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 Arc Phone 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.

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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.

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SECTION 4 - RATES

4.1 1+ Dialing

\$0.199 per minute

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

4.2 Travel Cards

\$.149 per minute

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

4.3 Toll Free

\$0.099 per minute

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

4.4 Prepaid Calling Cards

\$.25 Per Telecom Unit

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4.5 Directory Assistance

\$.95 per each number requested

4.6 Returned Check Charge

\$20.00

4.7 Rate Periods

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

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

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

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FINANCIAL INFORMATION

ARC PHONE CANADA INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 1998

SPIEGEL & ASSOCIATES
CHARTERED ACCOUNTANTS

BERNARD SPIEGEL
CHARTERED ACCOUNTANT - PARTNER

ERIC SPIEGEL, B.COMM., C.P.A.(USA)
CHARTERED ACCOUNTANT - PARTNER

MIRIAM SPIEGEL, B.Sc., C.P.A.(USA)

666 WILSON AVENUE
DOWNSVIEW, ONTARIO
M3K 1E1

TEL: (416) 633-2536
FAX: (416) 633-8923

REVIEW ENGAGEMENT REPORT

To the Shareholders of
Arc Phone Canada Inc.
Toronto, Ontario

We have reviewed the statement of financial position of Arc Phone Canada Inc. as at July 31, 1998 and the statements of operations, retained earnings, expenses and changes in financial position for the year then ended. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussions related to information supplied to us by the company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with generally accepted accounting principles.

Toronto, Ontario
November 13, 1998


SPIEGEL & ASSOCIATES
Chartered Accountants

ARC PHONE CANADA INC.

STATEMENT OF FINANCIAL POSITION
(unaudited)

JULY 31, 1998

	<u>1998</u>	<u>1997</u>
	<u>ASSETS</u>	
<u>CURRENT</u>		
Cash	\$58,202	\$10
Accounts receivable	688,088	-
Prepaid expenses	<u>377</u>	<u>-</u>
	<u>746,667</u>	<u>10</u>
<u>CAPITAL</u> (note 1) (note 2)	<u>614,138</u>	<u>-</u>
<u>OTHER</u>		
Security deposits	<u>93,179</u>	<u>-</u>
<u>TOTAL ASSETS</u>	<u>\$1,453,984</u>	<u>\$10</u>

See review engagement report dated November 13, 1998.
See notes to financial statements.

ARC PHONE CANADA INC.

STATEMENT OF FINANCIAL POSITION
(unaudited)

JULY 31, 1998

	<u>1998</u>	<u>1997</u>
<u>LIABILITIES</u>		
<u>CURRENT</u>		
Bank loans (note 3)	\$36,071	\$ -
Accounts payable and accrued liabilities	577,950	-
Sales tax and employees' deductions payable	99,330	-
Shareholders loans (note 4)	233,036	-
Deferred revenue (note 1)	104,935	-
Income taxes payable (note 1)	<u>18,978</u>	<u>-</u>
	<u>1,070,300</u>	<u>-</u>
<u>LONG TERM</u>		
Bank loans (note 3)	<u>117,322</u>	<u>-</u>
	<u>1,187,622</u>	<u>-</u>
<u>SHAREHOLDERS' EQUITY</u>		
<u>CAPITAL STOCK</u>		
<u>Authorized</u> <u>Issued</u>		
Unlimited 10 Common shares	10	10
<u>RETAINED EARNINGS</u>		
	<u>266,352</u>	<u>-</u>
	<u>266,362</u>	<u>10</u>
	<u>\$1,453,984</u>	<u>\$10</u>

APPROVED ON BEHALF OF THE BOARD:

Director

Director

See review engagement report dated November 13, 1998.
See notes to financial statements.

ARC PHONE CANADA INC.

STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED JULY 31, 1998

(unaudited)

	YEAR ENDED JULY 31, 1998	ONE MONTH ENDED JULY 31, 1997
Balance, opening	\$ -	\$ -
Net income for the period	266,352	-
<u>RETAINED EARNINGS, closing</u>	<u>\$266,352</u>	<u>\$ -</u>

See review engagement report dated November 13, 1998.
See notes to financial statements.

ARC PHONE CANADA INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JULY 31, 1998

(unaudited)

	YEAR ENDED JULY 31, 1998	ONE MONTH ENDED JULY 31, 1997
<u>SALES</u>	<u>\$2,097,885</u>	<u>\$ -</u>
<u>PURCHASES</u>	<u>1,416,533</u>	<u>-</u>
<u>GROSS PROFIT</u>	<u>681,352</u>	<u>-</u>
Expenses (see schedule)	<u>396,022</u>	<u>-</u>
Net income before provision for income taxes	285,330	-
Provision for income taxes	<u>18,978</u>	<u>-</u>
<u>NET INCOME FOR THE PERIOD</u>	<u>\$266,352</u>	<u>\$ -</u>

See review engagement report dated November 13, 1998.

See notes to financial statements.

ARC PHONE CANADA INC.

SCHEDULE OF EXPENSES

FOR THE YEAR ENDED JULY 31, 1998

(unaudited)

	YEAR ENDED	ONE MONTH ENDED
	JULY 31,	JULY 31,
	<u>1998</u>	<u>1997</u>
Advertising and sales promotion	\$14,618	\$ -
Car and travel	7,918	-
Equipment leasing	6,702	-
Commissions	1,088	-
Freight out	2,597	-
Accounting and legal	20,068	-
Employee benefits	12,162	-
Bank charges and interest	12,349	-
Computer charges	22,863	-
Rent	19,290	-
Office expense	5,836	-
Salaries	119,324	-
Postage, printing and stationary	27,065	-
Insurance	1,418	-
Telephone	12,211	-
Utilities	2,398	-
Amortization - office equipment	446	-
- computer equipment	<u>107,669</u>	-
	<u>\$396,022</u>	<u>\$ -</u>

See review engagement report dated November 13, 1998.

See notes to financial statements.

ARC PHONE CANADA INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED JULY 31, 1998

(unaudited)

	YEAR ENDED ONE MONTH ENDED	JULY 31,	JULY 31,
		1998	1997
CASH PROVIDED BY:			
OPERATIONS			
Net income for the period		\$266,352	\$ -
Add: items not affecting cash: amortization		<u>108,115</u>	<u>-</u>
Cash flow before changes in working capital, excluding bank indebtedness		374,467	-
Add (increase) decrease in working capital excluding bank indebtedness		<u>345,764</u>	<u>-</u>
Cash flow from operations		<u>720,231</u>	<u>-</u>
Investments:			
Purchase of capital assets		<u>(722,253)</u>	<u>-</u>
Financing:			
Increase in deposit		(93,179)	-
Issuance of capital stock		<u>-</u>	<u>10</u>
		<u>(93,179)</u>	<u>10</u>
Increase (decrease) in cash		(95,201)	10
Cash, at beginning of period		<u>10</u>	<u>-</u>
Cash (bank indebtedness), at end of period		<u>\$(95,191)</u>	<u>\$10</u>
Bank indebtedness consists of the following:			
Cash		\$58,202	\$10
Bank loans - current		(36,071)	-
Bank loans - long-term		<u>(117,322)</u>	<u>-</u>
		<u>\$(95,191)</u>	<u>\$10</u>

See review engagement report dated November 13, 1998.
See notes to financial statements.

ARC PHONE CANADA INC.

NOTES TO FINANCIAL STATEMENTS

JULY 31, 1998

(unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES

a) Capital Assets

Capital assets are shown at cost. Amortization has been provided for annually in the accounts using the declining balance basis as follows:

Office equipment	20%
Computer equipment	30%

In the year of acquisition, one-half of the above rates are utilized.

b) Income taxes payable

Income taxes are recorded on the taxes payable basis reflecting taxes as they become due. There is no deferred tax liability set up on the difference between accounting and tax amortization.

c) Deferred revenue

Deferred revenue represents cash collected on sales for which prepaid cards had not been utilized.

2. CAPITAL ASSETS

	Cost	Accumulated Amortization	<u>1998</u> Net Book Value
Computer equipment	\$717,789	\$107,669	\$610,120
Office equipment	<u>4,464</u>	<u>446</u>	<u>4,018</u>
	<u>\$722,253</u>	<u>\$108,115</u>	<u>\$614,138</u>

3. BANK LOANS

The company has 2 small business loans outstanding as follows:

a) Original balance \$100,000, monthly principal payments of \$1,666.67 plus interest at prime plus $\frac{1}{4}$ % (first year), prime plus 3% (following years)	\$85,000
b) Original balance \$75,000, monthly principal payments of \$1,339.28 plus interest at prime plus 3%.	<u>68,393</u>
	153,393
Less: current portion	<u>36,071</u>
Long-term bank loans	<u>\$117,322</u>

ARC PHONE CANADA INC.

NOTES TO FINANCIAL STATEMENTS

JULY 31, 1998
(unaudited)

4. SHAREHOLDERS LOANS

The shareholders loans are non-interest bearing and payable on demand.

5. RELATED PARTY TRANSACTIONS

Accounts receivable includes accounts receivable from a related corporation. The company rents its premises from a related corporation.

*** BALANCE SHEET ***
 (As at 31-Dec-98)

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Bank Loan Payable (0140058)	84,999.97
Bank loan payable((0140252)	65,386.94
Accounts Payable	643,728.29
US Exchange (Payable)	162,038.63
Accrued Liabilities	36,220.52
Deferred Revenue	104,935.00
Provincial Sales Tax Payable	199.48
G.S.T. Collected	68,022.24
G.S.T. Input Credits	24,933.19
Corp. Tax Payable (Federal)	11,067.00
Corp. Tax Payable (Prov.)	7,911.00

Total - Current Liabilities \$1,159,575.88

Long Term Liabilities

Total - Long Term Liabilities \$0.00

Total Liabilities \$1,159,575.88

Shareholders' Equity

Share Capital

Common Stock Issued 10.00

Total Share Capital \$10.00

Current Earnings 878,758.08

Total Shareholders' Equity \$878,768.08

Total Liabilities & Equity \$2,038,343.96

*** BALANCE SHEET ***
 (As at 31-Dec-98)

ASSETS

Current Assets

Cash on Hand

Bank CIBC (23712)	149,799.81	
Bank CIBC \$US (85115)	11,743.26	
US EXCHANGE	243,195.08	
ATA & NEDA MOEINI	(253,124.50)	
GOLD LINE	(2,609.51)	

Total - Cash on Hand		\$149,004.14
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Accounts Receivable

Accounts Receivable - Trade	703,237.94	
A/R Sales Dep.	205,099.14	
Loan Receivable	3,454.41	

Net Accounts Receivable		\$911,791.49
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Prepaid Deposits (\$US)

Prepaid Deposits	41,179.39	52,000.00
Prepaid Rent		376.37

Total - Current Assets		\$1,154,351.39
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Fixed Assets at Cost

Office Furniture & Fixtures	4,464.10	
(Accumulated Depreciation)	446.41	

Net Book Value - Furniture		\$4,017.69
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Machinery - Plant and Equip.	879,324.57	
(Accumulated Depreciation)	97,189.44	

Net Book Value - Machinery		\$782,135.13
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Computer Equipment	108,318.59	
(Accumulated Depreciation)	10,478.84	

Net Book Value - Computers		\$97,839.75
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Net Book Value - Automotive		\$0.00

Total Fixed Assets		\$883,992.57
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Other Assets

Net Book Value - Other Assets		\$0.00
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Net Incorporation Costs		\$0.00

Total - Other Assets		\$0.00

Total - Assets		<u>\$2,038,343.96</u>
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*** INCOME STATEMENT ***
 (As at 31-Dec-98)

	--- MONTH-TO-DATE ---		--- QUARTER-TO-DATE ---		--- YEAR-TO-DATE ---	
	\$	% Sales	\$	% Sales	\$	% Sales
REVENUE						
Sales - General	1,047,680.50	83.7	1,493,793.52	88.0	2,465,715.89	88.2
Sales - \$US Sales	204,189.31	16.3	204,401.81	12.0	330,784.04	11.8
Total - Net Sales	<u>\$1,251,869.81</u>	<u>100.0</u>	<u>\$1,698,195.33</u>	<u>100.0</u>	<u>\$2,796,499.93</u>	<u>100.0</u>
EXPENSES						
Cost of Goods Sold						
Cost of Goods Sold	447,016.48	35.7	848,906.38	50.0	1,888,004.16	67.5
Total - Cost of Goods Sold	<u>\$447,016.48</u>	<u>35.7</u>	<u>\$848,906.38</u>	<u>50.0</u>	<u>\$1,888,004.16</u>	<u>67.5</u>
Gross Profit	<u>\$804,853.33</u>	<u>64.3</u>	<u>\$849,288.95</u>	<u>50.0</u>	<u>\$908,495.77</u>	<u>32.5</u>
Operating Expenses						
Advertising Expenses	850.95	0.1	850.95	0.1	850.95	
Automotive Expenses	743.68	0.1	1,043.68	0.1	2,203.73	0.1
Bank Charges Expense	49.76		198.01		712.92	
Credit Card Discount	0.00		0.00		37.22	
Computer Expense	1,942.10	0.2	4,019.75	0.2	11,047.70	0.4
Delivery Expense	143.50		168.00		1,118.43	
Employment Benefits	2,998.34	0.2	4,497.51	0.3	7,766.72	0.3
Insurance Expense	0.00		0.00		1,296.00	
Other Facilities Costs	6,997.64	0.6	5,104.31	0.3	20,876.41	0.7
Office Wages & Salaries	30,882.83	2.5	60,952.83	3.6	136,395.59	4.9
Postage Expense	3,000.00	0.2	3,000.00	0.2	3,000.00	0.1
Printing & Stationary	0.00		0.00		859.46	
Rent Expense	1,275.00	0.1	2,325.00	0.1	14,700.00	0.5
Telephone Expense	1,164.63	0.1	2,608.11	0.2	5,287.84	0.2
Communication Expense	125.19		1,708.52	0.1	71,428.28	2.6
Utilities Expense	0.00		0.00		446.16	
E.I. - Employers Share	981.22	0.1	1,906.17	0.1	4,349.61	0.2
Vacation Pay	43.79		43.79		43.79	
C.P.P. - Employers Share	718.60	0.1	1,398.90	0.1	3,148.62	0.1
Total - Operating Expenses	<u>\$51,917.23</u>	<u>4.1</u>	<u>\$89,825.53</u>	<u>5.3</u>	<u>\$285,569.43</u>	<u>10.2</u>
Operating Income (Loss)	<u>\$752,936.10</u>	<u>60.1</u>	<u>\$759,463.42</u>	<u>44.7</u>	<u>\$622,926.34</u>	<u>22.3</u>
Other (Revenue) & Expenses						
Interest Expense	0.00		0.00		1,038.46	
Discount (Taken)	0.00		0.00		(4.05)	
Commission Expense	9,380.00	0.7	9,380.00	0.6	9,380.00	0.3
Discount Given	2.00		2.00		106.09	
Total - Other (Rev)/Expense	<u>\$9,382.00</u>	<u>0.7</u>	<u>\$9,382.00</u>	<u>0.6</u>	<u>\$10,520.50</u>	<u>0.4</u>
Income (Loss) Before Taxes	<u>\$743,554.10</u>	<u>59.4</u>	<u>\$750,081.42</u>	<u>44.2</u>	<u>\$612,405.84</u>	<u>21.9</u>
Net Income (Loss)	<u>\$743,554.10</u>	<u>59.4</u>	<u>\$750,081.42</u>	<u>44.2</u>	<u>\$612,405.84</u>	<u>21.9</u>

MANAGEMENT INFORMATION

THE MANAGEMENT

Ata Moeini *Managing Director*

In 1964 at the age of 18, Ata Moeini began his career that reflects success and above average advancement. He worked in a company providing installation and maintenance services to the heating and air conditioning market of Tehran, Iran. In 1966 he made a career move into sales, confident this field was most suitable for his unique capabilities and skills. By 1967 he had achieved the highest sales revenues and commissions in the company. Soon after, he became the Sales Manager with equity in the appliance and electronics re-seller. In 1970, Mr. Moeini launched his own appliance and electronics importing and distribution company. In 1978 he built the first plant in the Middle East manufacturing vacuum bags. Post Iranian revolution, 1981, Mr. Moeini left Iran for Germany where he turned around Hotel Central in Frankfurt from a money losing operation into a profit center which he continues to operate today. After emigrating to Canada in 1988, he began a Persian Rug import and sales operation. However, he soon became convinced that the sector with the greatest promise was Telecommunications. In 1994 he launched Gold Line Telemanagement Inc. to capitalize on this market. **ARC PHONE**

WAS ESTABLISHED IN 96 & has faced an unexpected →

Neda Moeini *Operation Director*

Following her arrival in Canada in 1977, Neda attended the Herzing Business Institute for one year acquiring her Honors Diploma in Computer Analysis and Design. In 1983 Mrs. Moeini Graduated from York University with Honors Bachelor of Science in Computer Science. Upon her marriage to Mr. Moeini, she relocated to Germany where she attended the School of International Trade Negotiator for an import export business. Neda's experience in MIS, Information Technology and international trade negotiations has been an important contributor to the systematic development and growth of Gold Line Telemanagement Inc.. Upon the families return to Canada, Mrs. Moeini continued her active role in business.

growth & success. It is now the largest Network provider in Canada for prepaid Long Distance. Both Gold Line & ARC Phone have a monthly revenue of well over 3 million & growing with a rate of 20% monthly.

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

Also Admitted in New York
and Maryland

DEPOSIT DATE

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

D139 MAY 20 1999

May 19, 1999

VIA OVERNIGHT DELIVERY

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd.
Gunter Bldg.
Tallahassee, Florida 32399-0850

990652-TI

Re: Arc Phone USA Inc.

Dear Sir/Madam:

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

Arc Phone USA 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 Arc Phone USA Inc.'s stated financial capability, a copy of its parent company's Balance Sheet and Income Statement for year ended July 31, 1998 and six months ended December 31, 1998 is attached to its application. Arc Phone USA Inc. intends to fund the provision of service through internally generated cash flow. Arc Phone USA Inc. also has the ability to borrow funds, if required, based upon its financial capabilities.

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.

LANCE J. M. STEINHART
ATTORNEY AT LAW
770-232-9200
6455 EAST JOHNS CROSSING, SUITE 285
DULUTH, GA 30155-1553

2148

64-5/610
01821

Pay to the Order of Florida Public Service Comm. \$ 250.00
Two hundred fifty & 00/100 Dollars

MAIL ROOM

17 6 MW 02 MAY 99

NationsBank
NationsBank, N.A.
Georgia

DOCUMENT NUMBER-DATE

05414 MAY 20 99

For Arc Phone

FISC-RECORDS/REPORTING